charging
with care
how councils charge
for home care
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Charging at the Crossroads
The levels and complexity of charges have increased, causing concerns about the impact of charges on users and the extent of variations.

Why are Councils Charging?
Councils have been under pressure to get more out of charges, and face difficult decisions about what constitutes a ‘fair’ charge.

The Detailed Construction of Charges
Wide variations in the ways councils approach charges are explained by the different ways councils treat a range of factors.

The Management and Administration of Home Care Charges
While some councils manage charges in a way that is sensitive to the needs of vulnerable users, others do less well.

Changes to the National Framework
Clear national guidance on charges will protect the most vulnerable users of home care and enable councils to use charges to develop services and improve access.

Action for Councils
Improvements in the way charges are managed and a greater focus on the needs of users will lead to benefits for users and councils.
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Preface

The Audit Commission oversees the external audit of local authorities and National Health Service (NHS) agencies in England and Wales. The Commission is also required to undertake studies to enable it to make recommendations for improving the economy, efficiency and effectiveness of the services provided by these bodies; and to comment on the effects of statutory provision or guidance by central government on the economy, efficiency and effectiveness of these agencies.

In September 1999 the Commission published the results of a study of the management of council charges, *The Price is Right? Charges for Council Services* (Ref. 1). *Charging with Care* presents the findings of the study relevant to charges for non-residential social services. It concentrates on home care charges for older people.

The report is set firmly in the context of the new duty of best value and shows how the issue of charging can be a powerful catalyst within best value reviews. It addresses a number of the issues raised by the recent Royal Commission on Long Term Care and the Government's Social Services White Paper, *Modernising Social Services* (Ref. 2).

This report follows up on a number of the issues raised in the Commission's 1996 bulletin *Balancing the Care Equation: Progress in Community Care* and the 1997 report, *The Coming of Age: Improving Care Services for Older People*. It also forms part of a set of reports published in the first half of 2000, which looks at the role of Commission audited bodies in supporting the independence of older people.

The report was written by Michael Carpenter of the Commission’s Public Services Research Directorate, under the direction of Peter Thomas and David Browning. It follows up the work of the original income and charging team of Lawrence Morris, Michael Carpenter and Chris Dawe. Detailed fieldwork was carried out in nine authorities, supported by a review of published work in the area and input from a number of service-specific professional bodies. It also reports the findings of a survey of charging in England and Wales.

In preparing this report, the Commission has benefited from the insight and guidance of a number of councils, national organisations and individuals. The Commission acknowledges the support given to the survey by Age Concern, The Local Government Association (LGA), The Association of Directors of Social Services and The National Association of Financial Assessment Officers. Particular thanks are due to Pauline Thompson of Age Concern, Mark Stone of Torbay Council and Simon Wright of MENCAP, for their assistance with the production of this report. A full list of acknowledgements is contained in Appendix 1. As always, responsibility for this report’s content and conclusions rests with the Commission alone.
Charging at the Crossroads

Home care is an essential council service that improves people’s quality of life and promotes independence. Since the introduction of community care, both the levels and complexity of home care charges have increased. This has led to concern about the wide variations in charges between councils and their impact on users.
1. Councils have provided vulnerable people who live at home with care for over fifty years. In England and Wales, around 500,000 people receive such services, of whom 420,000 are over 65. Such care can protect users from risks, improve quality of life and enable people to stay in their own homes. Home care is thus an essential part of the Government’s strategy to promote independence. But, while funds to pay for such care are limited, councils are under increased pressures to deliver more of this ‘community care’. In order to protect, extend and improve such services, most councils now rely, at least in part, on income generated by charges.

2. Charging for care is a sensitive issue. Councillors have to balance concerns over charging vulnerable users, often on low incomes, with the level of service they are able to provide. Charging can act as a rationing device, giving users incentives to limit the care they receive or to go to private providers. Managers have to reconcile the need to generate income with the potential negative effects of charging, such as the anxiety charges can cause to users and the costs of administering charges. Some users worry about charges that they find difficult to understand, let alone pay; or they resent submitting to intrusive means tests. Others question why they should pay for services over which they have little control or ‘pay again’ for services they feel that they have contributed towards throughout their lives [BOX A].

### BOX A

**Older people’s concerns about charges**

Age Concern England runs a national information line for older people, and through the local Age Concern Organisations is in contact with large numbers of older people. It finds that they express a number of anxieties about discretionary charges:

- surprise and distress at the level of the charges for those on low incomes;
- concern that they will have to reduce their level of service because of the charge;
- concern over the level of price increases they face following council charging reviews; and
- reluctance to give detailed personal information to get the charge reduced, with some element of stigma in seeing themselves going ‘cap in hand’ to show that they cannot afford the charge.

Age Concern finds that many users are not aware that they can ask for their charge to be waived or reduced. Often the older person is paying for other services such as housework, gardening or taxis (because they cannot access public transport). They often have other disability-related costs but it is difficult for the person to quantify costs that they regard as ‘normal’ because they have been paying them for such a long time. Until they contact Age Concern, they do not realise that it might be useful to let the council know about all these extra costs. It is normally only after the charge has been set that these are taken into account.

*Source: Age Concern England*
Charging also has a positive side. The income it generates can be used to protect services or extend access. Carefully designed charges can be used to target subsidies at priority users, while recovering a greater proportion of costs from others. Consultation exercises have shown that some users support charging – either to avoid the stigma of a handout or as a way to hold managers to account for the quality and value of services. Charging also raises important questions that councils will need to address as part of their best value reviews, over how and why they are providing and resourcing services.

4. In September 1999, the Audit Commission published *The Price is Right? Charges for Council Services*, presenting the findings of a national study of councils’ charging arrangements (Ref. 1). It showed how the controversy and complexity that surround charges prevent councils from getting the best out of them, and how best value can provide a framework for overcoming such barriers. *Charging with Care* presents the findings of a survey of home care charging policy and practice across England and Wales. It paints a picture of wide variations in the levels of charges, in the factors taken into account in different charging systems, and in the way that charges are managed [EXHIBIT 1]. A user in one council may face charges of £110 for a service which a user in another area, in the same circumstances, receives free. While some councils charge all users receiving the identical level of service the same, others vary their charges by over £100, depending on the results of means tests. Some manage charges efficiently and in ways sensitive to the needs of vulnerable users, others can add to user anxiety, for example, by sending out bills late or producing confusing client literature.

**EXHIBIT 1**

**Range of charges for 12 hours of personal care at user’s home**

There are wide variations in levels of charges both within and between councils.

<table>
<thead>
<tr>
<th>Charges (£)</th>
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<tbody>
<tr>
<td>140</td>
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<tr>
<td>120</td>
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<tr>
<td>100</td>
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<tr>
<td>80</td>
</tr>
<tr>
<td>60</td>
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<tr>
<td>40</td>
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<tr>
<td>20</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

Source: Audit Commission survey
This report...looks at how and why these variations have occurred and at the consequences of different charging arrangements for users.

5. The issue of paying for care has provoked wide interest. At the end of 1997, the Government established a Royal Commission on Long Term Care ‘to examine the short- and long-term options for a sustainable system of funding of long-term care for elderly people, both in their own homes and in other settings’. Its report, With Respect to Old Age (Ref. 3), considered fundamental questions about who should pay for care. In particular, it recommended that personal care (which makes up a large proportion of non-residential care) ‘should be available after assessment, according to need and paid for from general taxation’, although a minority of the Royal Commission disagreed and published an alternative proposal that retains personal care charges.

6. This report explores the variations in home care charging. It looks at how and why these variations have occurred and at the consequences of different charging arrangements for users. It also looks at the context within which councils are charging for non-residential services; the relationship between charges; and wider issues of service provision, such as service quality or the interface with residential care; and at the wider issues raised by the Royal Commission. It will show that charging is now at a crossroads. Eight years after the introduction of community care, there is now a real appetite for change to resolve a situation which many users, managers and politicians consider to be unacceptable.

7. Councils provide a wide range of non-residential care services. These can be broadly classified into:

- **home care**: care services provided to people in their own homes, ranging from ‘domestic help’ with activities such as shopping and cleaning, to ‘personal care’ – help with activities such as washing and dressing;
- **day care**: provision of day care centres and related facilities such as meals, baths, and vocational and leisure activities; and,
- **other services in support of users and their carers**: such as respite care or the provision of disability equipment.

8. Such services provide essential support to users. Help with the activities of daily living, such as getting up and dressing, can help users to maintain their independence and dignity. Day and home care provide regular social contact, as well as providing valuable support to other carers. They can help to reduce the risks users face, such as injury from falls, for example, by providing domestic help to keep the house tidy for those with mobility problems or poor eyesight.
These services are provided to a wide range of clients: particularly older people, children and their families, and people with learning and physical disabilities. Due to the discretionary nature of the charges for many of these services, a full analysis of all possible charges to all possible users would be extremely complex. This report concentrates on charging arrangements for services to older people, the largest of the client groups, and for home care services (which are often the most complex in terms of charge design). However, many of its lessons apply more widely.

Councils also provide care in residential care homes and nursing homes. This report does not look in detail at these services. However, in order to understand home care it is important to see it in this wider context. With the introduction over the last eight years of ‘community care’, the profile of non-residential services has increased significantly. The 1989 White Paper, *Caring for People* (Ref. 4) introduced these reforms ‘to enable people to live an independent and dignified life at home, or elsewhere within the community, for as long as they are able to do so’.

This change was widely welcomed and has had positive benefits for users. Members of the Government’s Peoples Panel rated the provision of more home help and personal care services as the most important thing the Government can do to help older people living in their own home maintain a good quality of life (Ref. 5). The current government’s White Paper *Modernising Social Services* (Ref. 2) (1998) recognised the role of home care in supporting users’ independence and in preventing premature admission to residential care. The National Assembly for Wales has set a target for ‘at least 90 per cent of those assessed as needing community care to receive support that allows them to live at home’ (Ref. 6).

The community care reforms also resulted in a shift from the provision of long-term care by the NHS towards social services departments and greater use of residential and nursing homes. This change has significant implications for users as the provision of health services has traditionally been free, while social services are often charged for. It has also raised questions about the boundary between health care and social care; for example, when is the provision of help with taking a bath health care? Is help with laundry related to incontinence social care?

These changes have taken place at a time when the overall long-term demand for care services is increasing. From 1994/95 to 1998/99 the combined spending on home care and residential care increased by 75 per cent (Ref. 7, 8). The number of people aged 75 and over – the group with the highest demand for home care services – will almost double over the next 40 years (Ref. 3). The financial implications of this increased demand are one of the key issues addressed by the Royal Commission.
However, despite policy pressures to increase the provision of home care and a general increase in the number of hours of care delivered, the number of users has decreased as councils have targeted available resources at those in highest need and cut back ‘non-essential’ services [EXHIBIT 2]. At the same time there has also been an increase in the number of authorities that impose a ‘ceiling’ on the amount of service they will provide to a user, often related to the net cost or gross cost of providing care in a residential setting. Therefore, users with relatively high levels of need might be faced with a need to buy in large amounts of care over and above that provided by the council if they wish to stay in their own home. Related to this has been a general tightening of eligibility criteria, so those clients with lower levels of dependency are now less likely to receive services. This has been particularly evident in the case of domestic assistance, such as shopping and cleaning. A recent survey of users found that 90 per cent had experienced cuts in the domestic services that they received (Ref. 9).

EXHIBIT 2

Trends in care
As the costs of social care have increased, home care has been targeted at fewer households.

Source: Department of Health (DoH)/Department of the Environment, Transport and the Regions (DETR).
Charging for home care services

15. Councils have had the power to charge for social services since the introduction of the 1948 National Assistance Act which recognised the principle that, while health services should be delivered free, charges for social services were acceptable. In particular, it laid out a national framework for charging for residential care. The framework for charging for non-residential care grew in a more ad-hoc way, until the position was consolidated in 1983 with the Health and Social Services and Social Security Adjudications (HASSASSA) Act (Ref. 10), which sets out the framework within which councils could exercise discretion [BOX B].

**BOX B**

Section 17 of the 1983 Health and Social Services and Social Security Adjudications (HASSASSA) Act (Ref. 10)

Councils’ legal powers to charge for non-residential services come from Section 17 of the 1983 Health and Social Services and Social Security Adjudications Act, which states:

1. Subject to subsection (3) below, an authority providing a service to which this section applies may recover such charge (if any) for it as they consider reasonable.

2. [Lists the services to which this section applies]

3. If a person:
   
   (a) avails himself of a service to which this section applies, and,
   
   (b) satisfies the authority providing the service that his means are insufficient for it to be reasonably practicable for him to pay for the service the amount which he would otherwise be obliged to pay for it, the local authority shall not require him to pay more for it than it appears to them that it is reasonably practicable for him to pay.

(Audit Commission emphasis)

*Source: Health and Social Services and Social Security Adjudications (HASSASSA) Act (Ref. 10)*
The discretionary nature of this framework thus differs radically from the single system for residential services, where Section 22(5) of the National Assistance Act 1948 requires the council to assess the ability of the user to pay using regulations. National guidance on these regulations has been issued in England and Wales (Ref. 11). For home care charges, councils are left to determine for themselves how to interpret what is ‘reasonable’ and how to ensure charges are ‘practicable to pay’. Separate national guidance originally ‘on the powers and duties of local authorities to charge for personal social services (including community care services)’ did not appear (Ref. 12). The only further clarification has come from an advice note issued by the Social Services Inspectorate (SSI) in 1994 (Ref. 13) and from a series of legal rulings (both of which will be discussed further in the next chapter).

**The current situation**

Councils now charge for a wide range of care services, continuing a trend identified in a number of previous surveys (Ref. 14) [EXHIBIT 3]. These charges now raise around £225 million, across all client groups and all non-residential services, recovering on average 12 per cent of the costs of services, an increase from 8 per cent in 1993/94. Charges for services to older people raise around £182 million of this total, including £140 million for home care services (Refs 7, 8).

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**EXHIBIT 3**

**Services provided, services charged**

Councils charge for a wide range of services.

<table>
<thead>
<tr>
<th>Service provided</th>
<th>Service charged</th>
<th>Some means testing</th>
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<tbody>
<tr>
<td>Personal care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals at home</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals at day centre</td>
<td></td>
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<tr>
<td>Day care</td>
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<tr>
<td>Domestic care</td>
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<td></td>
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<tr>
<td>Transport</td>
<td></td>
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<tr>
<td>Night sitting</td>
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<tr>
<td>Day sitting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incontinence laundry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alarms</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Audit Commission survey

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16. The discretionary nature of this framework thus differs radically from the single system for residential services, where Section 22(5) of the National Assistance Act 1948 requires the council to assess the ability of the user to pay using regulations. National guidance on these regulations has been issued in England and Wales (Ref. 11). For home care charges, councils are left to determine for themselves how to interpret what is ‘reasonable’ and how to ensure charges are ‘practicable to pay’. Separate national guidance originally ‘on the powers and duties of local authorities to charge for personal social services (including community care services)’ did not appear (Ref. 12). The only further clarification has come from an advice note issued by the Social Services Inspectorate (SSI) in 1994 (Ref. 13) and from a series of legal rulings (both of which will be discussed further in the next chapter).

17. Councils now charge for a wide range of care services, continuing a trend identified in a number of previous surveys (Ref. 14) [EXHIBIT 3]. These charges now raise around £225 million, across all client groups and all non-residential services, recovering on average 12 per cent of the costs of services, an increase from 8 per cent in 1993/94. Charges for services to older people raise around £182 million of this total, including £140 million for home care services (Refs 7, 8).
18. An increasing number of councils are charging for services – 94 per cent of councils charge for home care compared to 72 per cent in 1992/93 (Ref. 14). Charges themselves have increased – a Local Government Anti-poverty Unit survey in 1993/94 (Ref. 15) found only a minority of councils (around one-third) with maximum weekly home care charges over £15: the Commission’s survey found that one half now charge some users over £50.

19. The complexity of charges has also increased. In particular, there has been an increase in the proportion of councils taking some account of users’ resources by using some element of means testing [EXHIBIT 4]. This partly reflects the changing nature of service provision but also the increasing profile of council anti-poverty and social inclusion work. Many of the users of home care services are among the poorest and most vulnerable groups served by councils. Means testing has been introduced by many councils in order to ensure that charges are affordable and do not exclude low-income residents from services, while also enabling them to access the resources of better-off clients.

20. Attitudes to disability benefits have also changed. When charges were first introduced, councils hesitated over charging against benefits such as attendance allowance and disability living allowance (the key disability benefits relevant to the users of non-residential services). This attitude has now switched to one where most councils actively target disability benefits as a major source of income [EXHIBIT 4]. Related to this has been an increase in the promotion of welfare rights. Eighty-five per cent of councils now actively promote the take-up of means-tested and disability-related benefits among their clients, driven in part (at least) by a desire to increase their income from charges.

EXHIBIT 4
Changes in the way that councils are constructing their charges
There has been an increase in the complexity of charges as councils have looked to take more account of users’ financial circumstances.

Source: Audit Commission survey/Local Government Anti-poverty Unit (Ref. 14)
In the absence of a consensus over how to proceed and with little guidance over how to interpret their duty to ensure charges are ‘reasonable’ and ‘practicable to pay’, councils have developed a range of approaches to the design and management of home care charges. The current variation has come about as the result of a range of pressures – political, financial and legal – which will be discussed in detail in the Chapter 2.

As the levels of charges have increased and the variations between councils have widened, there have been growing concerns over a number of questions:

- How fair is it that users in different councils face such different charges?
- What impact do charges have on users?
- How does home care fit within the wider context of other long-term care? What is the role of charging in the funding of long-term care?

Nationally, there is concern over growing ‘geographical inequity’ and the phenomenon of ‘post-code charging’ – where users in similar circumstances pay widely different charges depending on where they live. The resulting role ‘luck’ plays in what people pay is seen as increasingly unfair and unreasonable – as the Government stated in its White Paper, *Modernising Social Services* (Ref. 2), ‘the Government believe that the scale of variation in the discretionary charging system, including the differences in how income is assessed, is unacceptable’.

The survey found a wide variation in the proportion of users paying charges: 33 per cent of councils make some charge to all home care users (including those living on income support); 6 per cent provide free services (with the exception of meals); while the remainder have systems of exemptions in place so that only a proportion of users are charged [EXHIBIT 5A, overleaf]. There is also wide variation in the proportion of costs recovered by different councils through charges (their ‘recovery rate’) and hence in the extent to which services are subsidised by local council-tax payers [EXHIBIT 5B, overleaf].

There are particular concerns over whether councils are being ‘reasonable’ when charging the most vulnerable users of home care services – the most disabled and those on the lowest incomes. In its report of a national survey of day-centre charges for learning disabled adults, MENCAP expressed concerns about councils charging against income support (the main benefit used to support living costs): ‘Mencap believes that it is wrong to charge people with a learning disability on income support, as their income is already at the lowest level’ (Ref. 16). The Joseph Rowntree Foundation, following detailed work with a range of users of non-residential services, reported that ‘those with sizeable costs related to their disability... were among those facing the greatest difficulty’ (Ref. 12).

The Audit Commission’s survey found wide variations in the way...
different means-tested and disability-related benefits are treated by different councils, which raise questions about how well councils are ensuring that their charges are ‘practicable to pay’ (see Chapter 3)

**EXHIBIT 5**
Variation in users paying charges and proportion of costs recovered

**(A) The proportion of users paying home care charges**
There are wide variations in the proportion of users councils are charging.

**(B) Range of recovery rates**
Councils recover between 0 and almost 35 per cent of the costs of providing home care services through charges.

Note: There are some concerns about the comparability of existing national data over costs and income in home care. The picture given by the CIPFA data broadly matches the data collected in the Audit Commission survey.

*Source: Audit Commission survey/CIPFA*
As the levels of charges have risen, their impact on users has become more apparent. There are growing concerns over the impact of charges on users [BOX C]. There are particular concerns over the effect of charges on take-up of services. When charges were first introduced, a number of councils reported that some users either cut down on the level of service they received, or dropped out of the service altogether (Ref. 17). The Audit Commission’s survey found, of those councils able to provide figures, that between 1 and 4 per cent of users had cut down on services as a result of rises in charges. The Commission’s report, Balancing the Care Equation (1996) (Ref. 18), showed how these drops may be temporary – how the number of users withdrawing from services grew following a price change, but fell back to normal levels after three months – as users either return to the service through necessity or after they have registered their protest.

**BOX C**

The impact of charges on users

Margaret is 78 and lives alone. She has poor eyesight and problems getting about. The council provide her with nine hours’ help each week. Every morning she has help to get up and dressed and another visit to help her to bed. Some days she gets help preparing her food. Three days a week she attends a day centre where she buys lunch.

She pays £28 per week to the council for this care, from her income of £157 per week from income support and attendance allowance. She particularly likes her visits to the day centre, and thinks that the meals she gets there are good value for money. She is not sure how her charge was arrived at, but is concerned that the council is unaware of her other costs. She pays £8 per week for domestic help and has extra costs related to her diet, transport and heating. When the council last increased its charges she felt she had to cut back the domestic help she buys from three hours to two.

She is still paying off a backlog of charges built up during the three months between her financial assessment and when she was finally notified of her charge. She is particularly worried about what will happen if her needs increase. She thinks that this would increase her charges (in fact it would not, as she is already paying the maximum that her council thinks she can). She is afraid that she may have to give up her day centre visits.

Source: Audit Commission fieldwork/Cost of Care (Ref. 12)
The changes can also be permanent, however. One council visited during this study had seen a large drop in attendance at their day centres, related to increased charges both for the centres themselves and for home care – as users cut down their day centre attendance to pay for their home care. Another found that some users were cutting down an hour or two of care in order to fall into a different charging ‘band’. A survey by SCOPE found that 17 per cent of users had made some cut in their level of service in order to be able to afford their care (Ref. 12). A review following a major change to one council’s charging policy found that almost one-quarter of users had made some change to the care they received. The study also found worrying evidence of councils discouraging people from taking up services where they are assessed as being able to afford to buy their own.

Despite guidance from the Social Services Inspectorate that councils should monitor the impact of charges on the take-up of services, the survey found that only 15 per cent of councils were able to provide a figure for the proportion of users who cut down on services following changes to charges (Ref. 13). Most councils have to rely instead on informal communication between care managers, care workers and social workers. This partly reflects the difficulty of separating the effects of charging from other influences on the level of care received, such as changes in levels of need or the use of other care providers (formal or informal). Even those figures that are recorded may be underestimates, as they may ignore cases where users cut down on packages of care before the care commenced (when they are told of the charge they would otherwise face).

Charges can also affect users in other ways that are even harder to monitor. Detailed work with service users has shown how charges can cause them considerable anxiety. For example, many expressed worries that services would be cut if they make representations about their ability to pay, or that they would not be able to cope with increased charges should their needs increase. This work has also shown that users can be left facing difficult financial decisions (juggling bills, or cutting back on other expenditure (Ref. 12)). A high proportion of users fall into arrears. Some councils reported that around 10 per cent of users build up arrears of over three months. Chapter 4 looks in detail at the importance of effective communication and sensitive management when dealing with these problems.

There are growing demands for a national strategic approach to the funding of long-term care. This is in reaction both to the projected increases in demand discussed above and concerns from the public, in particular from users and their families, over the effect of charges on savings. Currently, there is little clarity over how the public can best make provision for their retirement – as the costs of care can depend on where they end up living. This report does not look into the funding and provision of care that support people’s housing needs, in particular in relation to sheltered accommodation and similar settings (as discussed in the Government’s 1999 Consultation Paper, Supporting People (Ref. 19)).
At the end of 1997, the Government established a Royal Commission on Long Term Care ‘to examine the short- and long-term options for a sustainable system of funding of long-term care for elderly people, both in their own homes and in other settings’. One of the Royal Commission’s main recommendations was that:

*The costs of long-term care should be split between living costs, housing costs, and personal care. Personal care should be available after assessment, according to need and paid for from general taxation: the rest should be subject to a co-payment according to means* (Ref. 3).

31. Much of home care these days amounts to personal care. If the Royal Commission’s recommendation is accepted by the Government in full, then most of the current home care charging arrangements would no longer be required. They would need to be replaced by extra funds from general taxation. However, two members of the Commission published a separate note of dissent, in which they disagreed with the recommendation that personal care should be provided free of charge. They maintained that ‘in an economy where resources are limited, money can either be spent on improving services or in providing existing services cheaper or free to those who currently pay for them’, and that, in practice, a course of action should be followed between these two options.

32. The Royal Commission also made specific recommendations for those elements of non-residential care that would not be classed as personal care. It recommended that there should be a national system for charging for care classed as ‘practical help’, that it should ignore users’ savings and that it ‘should be designed in such a way that does not discourage poorer people from seeking or taking help’ (Ref. 3).

33. It also highlighted the role of charging in the operation of ‘perverse incentives’. These occur when tangled funding mechanisms lead to inappropriate choices being made for users. Particularly important is the perverse incentive that encourages managers to move users out of their own homes and into residential care prematurely [BOX D, overleaf]. One of the Royal Commission’s key principles for a coherent funding system is that it ‘[should] avoid premature or inappropriate admissions to residential care’. The current system gives managers a strong incentive to actually reduce users’ independence.
BOX D

The interface with residential care: ‘the perverse incentive’

The Audit Commission’s 1996 bulletin, Balancing the Care Equation (Ref. 18), showed how incentives operate that contradict the central aim of community care. It demonstrated how the net costs to a council of the provision of residential care can be considerably less than the net costs of care delivered to a person living in their own home, even though the gross costs remain the same. This is a result of a number of factors including national benefits, access to housing wealth and, crucially, the level of charges on each side of the balance.

People on modest means who own their own homes and who are in receipt of home care might pay a modest charge towards the cost of their care, with the bulk being met by the council. A move to a residential home would force them to release the capital in their homes, which would be used to completely fund their care at no cost to the council. The net result is that the cost to local authorities of providing care in residential and nursing homes is very much less than the cost of providing it in people’s own homes. Hard-pressed social services managers who are conscious of the need to make a fixed budget go as far as possible face a ‘perverse incentive’ to encourage people to move into residential or nursing-home care before they need to. The study found a range of approaches. Some councils operated ceilings on the amount or gross cost of home care they are prepared to provide. Others looked at net costs, so that users willing and able to pay extra can stay at home. This position contrasts with the objective stated in the Government White Paper, Modernising Social Services (Ref. 2), ‘… to operate a charging regime…which maximises revenue while not providing distortions or disincentives which would affect the outcomes of care for individuals’.

The perverse incentives between home care and residential and nursing-home care occur because of the different methods of financing these services. The two funding systems developed at a time when the two types of service were very different. In recent years these forms of care have converged, with a range of options such as very sheltered housing and ‘extra care’ housing blurring the differences between them. Financial arrangements have remained very separate however, building in the perverse incentive described above.

Source: Audit Commission
The aim of this report

35. After ten years of change and uncertainty, the issue of charging for home care is now at a crossroads. Concerns over the impact of charges and the range of variations in charging policies are now shared by all those involved. The debate stimulated by the Royal Commission has reawakened interest in the subject. The Government’s White Paper, *Modernising Social Services* (Ref. 2), states that ‘there must be greater transparency and fairness in the contribution that people are asked to make toward their social care’ and recent changes to the formula used to determine central government funding to councils (discussed in Chapter 5) demonstrate a willingness to address the current situation. Locally, best value provides an opportunity to rethink how, and why, services are provided and paid for.

36. This report contributes to this debate by presenting the results of a wide-ranging national survey of home care charges, as well as an examination of good and bad practice. It asks:

- Why are councils charging? What factors are driving their current approaches to charging? What are the implications of these choices for users and managers? (Chapter 2)
- What factors underlie the wide variations in charges between councils? How are different councils taking into account factors such as national benefits and savings? How do councils ensure charges are ‘reasonable’ and ‘practicable to pay’? (Chapter 3)
- How well are councils managing charges? How sensitive is the management of charges to the needs of vulnerable users? (Chapter 4)
- What changes may be necessary to the current national framework within which councils charge for care – in the light of concerns over the scale of current variations and the findings of the Royal Commission? What is the role of best value and inspection in ensuring that any discretion is properly exercised? (Chapter 5)
- What can councils do to improve their management of charges? How can councils ensure that charges balance financial and service objectives? How can changes to the way charges are reviewed, designed and administered lead to benefits for users and councils? (Chapter 6)
Why are Councils Charging?

Councils have been under pressure to get more out of charges, while protecting their most vulnerable users. They face difficult decisions about what constitutes a ‘fair’ charge, and how best to take account of users’ different circumstances. Yet few councils are clear why they charge what they do, or the impact it has on users.
Non-residential charging is a complex issue. There are almost as many charging structures for home care as there are councils delivering care services. These range from the simplest systems where virtually all users pay the same, to complex ones involving formulae based on care received, capital wealth, complex combinations of benefits and a mix of income and expenditure.

Charges cannot be looked at in isolation from other aspects of service delivery. They are intimately connected to eligibility criteria, residential care, the national benefits system (both means tested and non-means tested), the costs of disability (and the wider disability-rights agenda), and the quality and costs of services. Low charges in one council may reflect low service quality. High ‘headline’ charges in another may be offset by effective mechanisms that take greater account of the costs of disability. Yet another may have low charges, but may exclude many users from services by applying strict eligibility criteria, or by setting low ceilings on the amount of service the council will provide.

To begin to understand charges, and to get to grips with this complexity – in particular to understand the wide variations in charging levels, policies and practices between councils – it is necessary to first consider the pressures councils have been under. This chapter explores these pressures, showing how councils’ current approaches have come about as a result of a wide range of, often competing, pressures [EXHIBIT 6]. It goes on to look at the key policy choices councils make in deciding how to construct their charges and the consequences for users and managers of current trends towards more complex charges.

**EXHIBIT 6**

**Pressures on charges**

Councils face a range of pressures on the levels and complexity of charges.

Source: Audit Commission
Financial pressures on charging

40. The previous chapter explained the pressures councils are under to deliver more home care. Councils have also been under considerable financial pressures to get more from home care charges. Successive governments have made clear their expectation that ‘...users who can pay for such services should be expected to do so taking account of their ability to pay...and that any authority which recovers less revenue than its discretionary powers allow is placing an extra burden on the population or is forgoing resources which could be used for the benefit of the service’ (Ref. 20). More recently the consultation paper, A New Approach to Social Services Performance (Ref. 21), stated the objective that, in order to ‘maximise the benefit to service users for the resources available, and to demonstrate the effectiveness and value for money’ councils should operate charging regimes that ‘maximise revenue while not providing distortions or disincentives which would affect the outcomes of care for individuals’.

41. Until 1999/2000, the calculation of standard spending assessments (SSA) – the government’s formula that determines the level of central funding provided to councils – has contained an implicit assumption that all councils are recovering the same proportion of their costs through charges. This became known as the ‘9 per cent assumption’, as that was the implicitly assumed rate at the time that the debate started. This caused particular problems for councils with more service users on low incomes and was used by a number of councils to justify the introduction, or extension, of charges. These pressures have been compounded by increasing use of earmarked funding by central government and the consequent decrease in mainstream funding. Further financial strains have come from high use of residential and nursing-home places, as well as increased pressure to switch resources into other areas – other social services, in particular, children’s services, and other council functions, such as education.

The decision to charge

42. As a result of these pressures, most councils now charge for non-residential services. However, decisions to start charging have not been taken lightly. They have often precipitated a debate over the principle of charging. Within councils, arguments in support of charges have focused on the view that it is reasonable to expect users who are able to contribute towards the services they receive to do so, especially where they have significant means. In particular, the view that disability benefits are intended to help with the extra costs of disability have led some councils to see them as available for charges. This point of view is supported by surveys. A number of councils have found a measure of public support for charges, subject to the provision that they are seen to be fair. There is also some evidence that some users prefer to make some contribution towards services, to avoid the stigma of ‘a hand out’. They see the payment of a charge as a way of gaining greater

Councils have...been under considerable financial pressures to get more from home care charges
control – consultation exercises carried out during the introduction of charges have shown that some users would expect higher quality and more uniform service if they have to pay for them.

**43.** At the same time, there are also strong counter-arguments against charging, with 6 per cent of councils having decided not to charge for most non-residential services (except for meals). Some argue that users have already paid for such services through taxation during their working lives and have built up an expectation that services would be provided for them free; and that they have already contributed towards the cost of services through their council tax. Some argue that charging is unfair in principle as users have no control over their need for services; or, that the risk associated with the need for long-term care should be spread more equitably across the population. Where councils have strong corporate anti-poverty policies that exempt most users from charges, they sometimes argue that charging the remaining users is not cost effective. In particular, some councils reason that if users are exempted from having to pay their full council tax they should not have to pay charges for care. Others argue on a practical level that the costs of charging – both financial and the potential damage done to service objectives – outweigh the income raised.

**The national framework**

**44.** A primary consideration for councils in designing their charges is the national framework of current legislation, guidance and legal rulings. Under HASSASSA, councils have wide discretion, subject to the conditions of ‘reasonableness’ and ‘practicability to pay’, in designing their home care charges. The only further clarification available comes from the Social Services Inspectorate advice note issued in 1994 and from the results of a number of legal challenges *(BOX E)* *(Ref. 13).*

**BOX E**

The SSI guidance and legal challenges

The SSI advice note gives some guidance on how councils should take account of ability to pay, such as *(Ref. 13):*

- Charges must be waived or reduced for those users unable to meet them.
- Assessments must leave users with an adequate disposable income, taking account of extra costs of disability and the costs of care needs not met by the authority.
- Financial assessments should be based on resources available to the service user.
- The charge is levied on the service user, not their carers, or other family members.

*Continued overleaf*
Service users have a right to make representations about their ability to pay. Such appeals should be processed against clearly thought out, relevant criteria.

All sources of income could be considered (including capital, means-tested benefits and disability benefits) – with the exception of the mobility component of disability living allowance (DLA) – subject to the final charge being ‘reasonable’.

However, it is important to note that these issues need not be taken into account in the initial means test. Instead, it is possible to deal with them through systems that allow users to challenge their charge. The guidance says less about how charges should vary with level of service, the only mention of which is a reference as to how councils should take account of the cost of service:

- Authorities ‘should take account of both the full cost of providing the service and within that what recipients can reasonably be expected to pay’.

Much of the remainder of the note deals with how charges should be managed and how users should be treated, for example:

- Services cannot be withdrawn from those unable or unwilling to pay, but debts may be pursued through civil procedures.
- Information should be available to users on charges and procedures. They should be informed about complaints procedures and how to make representations where they find it difficult to pay the charges.
- Authorities should aim to monitor the effects of charging on service take-up and use.

The only further clarification has come through a number of related judgements following legal challenges made by users. These have addressed such issues as the operation of appeals systems, when consultation with users should take place, whether councils can charge against disability-related benefits and how and where councils need to have mechanisms to take account of users’ expenditure.

Source: SSI Guidance (Ref. 13)
Much of this guidance focuses on questions of process...
Little is said about how ‘reasonableness’ should be interpreted

45. Much of this guidance focuses on questions of process – over how charges are managed, such as the operation of appeals systems or the monitoring of service take-up. Little is said about how ‘reasonableness’ should be interpreted. The implication is that this question has no ‘right answer’. Provided that decisions over the principles related to charging are properly debated and resolved, then the resultant approach can be considered to be ‘reasonable’. Currently, the only clarification available to managers has come as a result of legal precedent. But even when a legal ruling is made, councils are often divided about how it should be interpreted. For example, while many councils use ‘banded’ systems to split users into groups based on benefits received, one council visited dismissed this option as contradicting a ruling that all income sources should be treated the same.

What drives councils’ approaches to charging?

46. The analysis carried out of councils’ most recent reviews of charging policies shows that financial considerations dominate, overriding concerns about the equity, affordability or understandability of charges [EXHIBIT 7]. Given a straight choice between cutting services by tightening eligibility criteria or maintaining services by increasing charges, increasing charges is often seen as the lesser of two evils (although 15 per cent of councils did both in their most recent reviews). Reviews of charges are rarely linked with wider issues of service planning and delivery.

EXHIBIT 7

Results of recent reviews

Financial considerations dominate many charging reviews.

<table>
<thead>
<tr>
<th>Increase in revenue raised from charges</th>
<th>Significant increase in level of charges (i.e., above inflation)</th>
<th>Greater account taken of ability to pay</th>
<th>Closer relationship between charge and care received</th>
<th>Introduction of charges for some previously free services</th>
<th>Alignment with corporate anti-poverty policy objectives</th>
<th>System more simple (easier to understand/administer)</th>
<th>Changes to eligibility criteria</th>
<th>Reduction/abolition of some/all charges</th>
<th>Charging introduced (previously all services free)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>40%</td>
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Source: Audit Commission survey
While locally these reviews demonstrate a strong link between charges and service levels, at the national level evidence for a link between income from charges and level of services is weaker. Plotting average hours’ service per client against income per client (for councils with similar levels of income support among their over-65 populations) shows only a vague relationship [EXHIBIT 8]. Any national analysis is inevitably clouded by the different financial positions councils start from as well as service issues such as the cost and quality of services. The SSI have reported that, looking at those councils which do not charge: ‘There is no evidence that loss of income inhibits councils’ ability to change the mix of services – though councils that raise only mandatory charges are also less enthusiastic to move away from traditional residential models of care’ (Ref. 22). And indeed, the survey found examples of councils with low levels of income that delivered far more service than those with high levels (and vice versa). A further complication comes from differences in eligibility criteria. Both the Department of Health and the SSI have expressed concern over differences between councils in the way in which they decide the care clients in similar circumstances may need (Ref. 2). The study did not look in detail at the operation of eligibility criteria, except where eligibility issues were raised during charging reviews.

EXHIBIT 8

Do charges enable councils to deliver more services?

There is only weak evidence on a national scale that charging enables extra services to be delivered.

Note: For councils with similar user/wealth profiles (percentage of pensioners on income support between 15 and 20 per cent).

Source: Audit Commission survey
Charges can also affect users’ decisions to use other care providers. Some councils are using charges to target care at low-income users by setting charges for better-off users at a point where it is more economical for them to obtain certain non-residential services directly from private providers; for example, 60 per cent charge at or above £6 per hour to some users. Where council charges are close to or above the charges of private providers, users may have a strong incentive to use private provision instead – particularly as private providers can be more flexible and do not apply means tests. While this situation occurs most obviously where councils charge better-off users close to the costs of provision, it may also occur where users on modest incomes are receiving low levels of service.

In the face of this range of pressures, councils have developed a variety of approaches. Looked at in detail, charging policies use a bewildering array of multiplying factors, maximum or minimum limits, ‘look-up matrices’, buffers and other methods to arrive at a final charge. Documents explaining charging policies in full can be over 20 pages long. This complexity means that there is no simple way to classify all the different charging structures. However, a complete and perfect ‘typology’ for all charging systems is not necessary in order to understand how councils are approaching charging. Two simple questions cut to the heart of many of the key issues in home care charging:

1. Should charges vary with the level of care received? If so, how? (The usage dimension)
2. Should charges vary with a client’s level of resources? If so, how? (The means dimension).

For any council’s charging policy it is possible to get a picture of what it ‘looks like’ by plotting the charges that the council levies on a set of users receiving different levels of care (the study used 3/6/12 hours’ care per week) and with different levels of resources (the study used four levels between income support and those earning £220 per week). When this is completed, four main shapes emerge [EXHIBIT 9, overleaf]. This does, of course, hide an important level of detail over issues such as how to measure ‘level of resources’ (in particular the treatment of disability benefits) or ‘level of care’. These will be dealt with in Chapter 3.

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1 ‘Means’ is used to express level of resources available to the client, which may include aspects of income, benefits, savings and expenditure.
EXHIBIT 9

The shapes of charging policies

Councils take one of four main approaches (A–D) to charge design, depending on how they have answered the ‘key questions’.

6% of councils do not charge

(A) 10% charge most users the same

(B) 19% base charges on level of service

(C) 10% base charges on a user’s means

(D) 55% base charges on both service and means

Key

Increasing service

Increasing means

| 3 hours | 6 hours | 12 hours |

Note: Each graph shows the charge (the height of the bar) a council would levy on users with different levels of service (the depth of the graph) and with different levels of means (increasing left to right).

Source: Audit Commission survey
51. The simplest charging policies charge all users the same (typically around £8 per week), with the possible exception of users on low incomes or certain combinations of benefits, who may be exempted from paying or charged a different rate. This approach is taken by 10 per cent of councils. The simplicity of this approach, both in terms of administration and in providing a predictable income, led many councils to use it when charges were first introduced. However, it does not raise much income as the charge must be set at a level that it is ‘reasonable’ to charge for the minimum amount of service – typically one hour [EXHIBIT 9A].

52. The next level of complication is to vary charges with the level of service, usually on a standard hourly charge. This approach generally enables councils to raise more income from those receiving more care and is the approach taken by 19 per cent of councils [EXHIBIT 9B].

53. A third approach, adopted by 10 per cent of councils, is to just use a means test. An element of means testing allows councils to measure the level of disposable income available to a user and then to charge accordingly. This, in general, allows councils to access the means of better-off users while protecting users on low incomes [EXHIBIT 9C].

54. The fourth approach to charging is found in councils that design charges that vary both with the level of service and with users’ means. This is the most common approach – taken by 55 per cent of councils. This approach is becoming increasingly common, as councils look to raise income while ensuring that users are protected from charges that they cannot afford [EXHIBIT 9D].

55. Why have councils come up with so many different approaches? The answer lies in what different councils have decided is ‘fair’. Some have decided that it is fairer for charges to reflect the level of service received, but others argue that this penalises people who need higher levels of care. Some argue that it is fairer to set charges according to users’ income, while others say that this penalises those who make provision for their old age. This ‘moral maze’ is difficult territory for council decision makers and explains why many councils fail to establish clear principles to guide their charging [EXHIBIT 10, overleaf]. It is easier to continue with the existing system than enter an often heated debate about fairness.

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1 This report avoids using the term ‘flat rate’ as this term has been used to describe both systems that charge all the users the same and systems which charge the same rate for each hour of service (A) and (B) in Exhibit 9.
Charging reviews read as part of the study showed that some councils are beginning to get to grips with these issues. As concerns grow over one interpretation of ‘fairness’ (such as affordability or the link between charges and level of service) that particular issue is debated. Some councils have approached these questions of ‘fairness’ by looking at the role of charging on targeting subsidy on users with different levels of means or receiving different levels of service [CASE STUDY 1] – many of the issues at the heart of this debate come down to the question ‘who should have their services subsidised by the council?’

**EXHIBIT 10**

**The moral maze**

Councils have to trade off different concepts of fairness in order to be able to design their charges.

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*Source: Audit Commission survey*
One important implication of where a council places itself in ‘the moral maze’ is that, as greater account is taken of either means or service, the complexity of the charging system increases – as either more complex means tests are required or more detailed account must be taken of the service provided in charging calculations. Councils have had good reason to produce more complex charges. From a practical point of view, such systems allow them to access the resources of better-off users while protecting those on low incomes. Such moves have also reflected trends in service delivery as councils have targeted higher levels of care at those most in need. Increasing inequalities between the richest and poorest pensioners have added to these pressures (Ref. 3).

These moves also reflect the preferences of many users. Consultation exercises generally show that such systems are usually considered to be fairer. However, more complex systems can also be harder to understand. The simplicity and understandability of charges is an important issue. Poorly understood charges are more likely to cause anxiety. It is particularly important that users understand how their charges may

**CASE STUDY 1**

**Using charges to target subsidy**

Warwickshire County Council considered the differential impact of its charges on people receiving different amounts of home care. Warwickshire’s charges increase for each additional two hours of care. Until April 1999 people receiving less than two hours were not charged. The Council’s Charging Advisory Panel noted that this resulted in a high level of subsidy for people receiving less than two hours’ home care, and meant that highly dependent people were being charged more than would otherwise be necessary. Charges were introduced for people receiving less than two hours’ home care, and charges for people receiving less amounts of service were increased at a higher rate than charges for people receiving greater amounts.

Another council looked at how users with different means were subsidised. Previously, concerns over the effect of charges on those just above income support levels had led to a charging system that ignored the first £5 of income above income support levels. For each user a maximum charge was set of 50 per cent of their income above this level. This £5 allowance applied equally to all users. Hence, a subsidy intended to protect people just above income support levels was delivered to all. As part of a review looking to raise extra revenue (as an alternative to cuts), they abolished this £5 allowance and switched to a policy with a minimum charge of £2.50 per week. This did not affect the key target group (users with incomes just above income support levels), who continued to receive a free service, but stopped an unintended subsidy going to better-off users.
change if their needs increase. Chapter 4 will show how the best councils overcome this problem through effective communications and a focus on users.

59. More complex systems can also be more complex to administer, and there have been concerns that they cost more to run. The study found that the efficiency with which systems were run was a more important factor than the underlying charge design. It also found that more simple systems could have high ‘hidden’ costs. One manager made the point that as they had moved to a more sensitive means test they had seen a drop in costs associated with arrears and users appealing against their charge. These issues will be discussed further in Chapter 4.

60. An examination of reviews carried out over the last few years shows that, even when councils fundamentally re-assess their whole approach to charging, there is still an expectation that the new system should raise at least as much money as the old one. A key consideration, therefore, is whether more complex charging systems raise more money.

61. At the national level the picture is unclear. There is no straightforward relationship between the proportion of costs recovered through charges and the complexity of the charging system, even for councils with similar proportions of users on income support [EXHIBIT 11]. All that can be said is that perhaps more complex systems have the potential to recover a wider range of costs, and can therefore raise more income.

EXHIBIT 11
Do complex systems raise more money?

While more complex charges can raise more income, they do not always do so.

Note: ‘Complexity’ measured by looking at how accurately the council takes account of service levels and users’ means. For councils with 15 to 25 per cent of people over 65 on income support.

Source: Audit Commission survey
62. Some of the reasons for the lack of a clear relationship between complexity and income are illustrated by an example from the Commission’s fieldwork. When a council changed from a simple charging system based on benefit levels to one using a detailed assessment of income and expenditure, it found that high levels of charges were being paid by users on incomes that their new system considered too low – as a result, they were left with incomes well below income-support levels. The subsequent introduction of a new, more sophisticated, system led to reductions in charges made to these users. Somewhat surprisingly, these people had previously paid these charges without complaint. This supports the findings of work by the Joseph Rowntree Foundation which found that older users of home care services are more likely to put up with difficult circumstances than to complain (Ref. 12). Thus, simpler charging systems can raise considerable resources, but with an increasing risk that they are ‘unreasonable’, acting as a ‘blunt instrument’, and leading to the overcharging of older people on low incomes.

Conclusions

63. Home care charging is a complex and controversial issue. Councils have had to ask themselves many of the difficult questions contemplated by the Royal Commission (Ref. 3). Their responses have typically been incremental – driven sometimes by the budget and at other times by concerns over fairness and equity. As a result, many councils are not at ease with their current approaches to charging. Few have resolved fundamental questions over why they are charging or who they want to subsidise.

64. The lack of national guidance over how to interpret ‘reasonableness’ and ‘practicability to pay’ has complicated matters. As a result, the wide variations that have emerged are not always well thought out, and can have unforeseen consequences for often vulnerable users. Chapter 3 looks more closely at how councils are constructing their charges, in order to begin to identify how these unintended, and sometimes unacceptable, variations can be eliminated.
The Detailed Construction of Charges

There are wide variations in the ways councils treat a range of factors. There is little consistency in their treatment of national benefits, user savings or the cost of the service. The most vulnerable users – those on the lowest incomes and those with the highest costs of disability – can be the most disadvantaged.
In order to look further at how well current charging practices measure up to the tests of ‘reasonableness’ and ‘practicability to pay’, it is necessary to look in more detail at how councils are constructing their home care charges. How much do they charge? Why? This chapter reviews how councils take account of users’ ability to pay, in particular:

- how they take account of national benefits; and
- how they construct means tests.

It goes on to look at how charges take into account the level and cost of the service provided. It then examines how these measures of ‘means’ and ‘usage’ are combined in order to arrive at a final charge.

### How do councils take account of national benefits?

Two national benefits are particularly important when looking at non-residential charging systems [BOX F]:

- attendance allowance (AA);
- income support (IS).

#### BOX F

**National benefits***

**Attendance allowance:**
This is the key disability-related benefit relevant to older people. It is a non-means-tested benefit, paid at two rates:

- ‘low’ (currently £35.80 per week); and
- ‘high’ (currently £53.55 per week).

These two rates are based on eligibility criteria that look at the risks users face as a result of disabilities and their resultant need for attention. It is closely related to the ‘care’ component of disability living allowance (DLA), the main disability benefit for adults under 65 (although disability living allowance is also available at three rates, and has an additional ‘mobility’ component).

**Income support:**
This is a means-tested benefit designed to ensure that everyone has enough to live on. It tops up an individual’s income to a level called ‘the applicable amount’, which depends on their circumstances. The applicable amount is made of ‘allowances’ (which depend mainly on age and family status) and ‘premiums’ (which look at more specific aspects of claimants’ circumstances). The main allowances relevant to single older people are:

- personal allowance: £52.20, for all adults over 25;
- pensioner premium: £26.25, added to the personal allowance for those aged 65 and over;
- enhanced pensioner premium: £28.65, added to the personal allowance for those aged 75 and over;
- higher pensioner premium: £33.85, added to the personal allowance for those aged 85 and over or meeting certain disability conditions;* and
- severe disability premium (SDP): £40.20, for those on attendance allowance, living alone and without a carer claiming invalid care allowance.

*Note: Rates shown are as of April 2000. These are not full descriptions of these benefits. The higher pensioner premium is paid before age 80 if the claimant meets the current condition for the IS disability premium or was getting the disability premium before 60th birthday and IS has continued since.
Both the SSI guidance and the results of legal challenges have supported the view that it is ‘reasonable’ to charge against attendance allowance. However, there is no further guidance for councils over how it should be treated. All they have to go on is that these benefits are paid to help with extra costs related to disability and the eligibility criteria for this benefit. As a result, councils treat it in very different ways: a minority ignore it; some treat it the same as other income; some take a proportion of it from all users who receive it, while some treat the two rates the same; others take extra from those on the higher rate [EXHIBIT 12].

Some councils have tried to resolve the situation for themselves by looking at the ‘overlap’ between the services they provide and eligibility criteria met by the user. For example, some reduce the amount of attendance allowance taken if other carers meet some needs, while others do not charge against the ‘night-time’ element of high-level attendance allowance for services provided during the day. A number of councils actively target attendance allowance as a potential source of income, often linked to welfare rights campaigns to promote take-up.

The importance of attendance allowance as a source of income for councils is underlined by concerns among managers that charging considerations, at least in part, are leading to a convergence of some councils’ eligibility criteria with those for disability benefits. There are also concerns over the large proportion of attendance allowance taken by some councils and the potential effect this has on people who face high costs relating to disability.

**EXHIBIT 12**

Proportion of attendance allowance (AA) taken by different councils

Councils take widely differing account of attendance allowance.

Note: The graph shows how much charges for 6 hours care would be increased if a user with an income of £140 qualified for AA. At the time of the survey the rates for AA were £34.30 (low) and £51.30 (high).

Source: Audit Commission survey
There are also variations in how councils treat income support. While over one-half of councils use it to define exemptions from charges, one-third of councils are prepared to charge against it. This means that the charges of at least one-third of councils can leave users with less income than their income support ‘applicable amount’ (the sum of their various allowances and premiums, see Box F, page 35). Councils also use income support to define users’ basic living expenses in different ways. Most base their calculations of users’ living expenses on the income support allowances. Thirty per cent of councils allow different amounts for basic living costs depending on a user’s age, in line with the allowances for income support. Two councils replying to the survey use the basic income support personal allowance, excluding the age-based premiums, to define the amount users are assumed to need for basic living expenses.

In order to understand this situation it is important to realise that councils expect this benefit to fulfil a number of different roles with respect to home care charging:

- to determine who is exempt from charges;
- to act as a source of income; and
- to help define the minimum level of income that a user should retain.

The study found strong evidence of confusion over the severe disability premium, one of the more complex elements of the income support calculation. For example, a number of councils used receipt of income support including severe disability premium to exempt users from charges. Yet where users have an income above this level, then the amount they are assumed to need to live on excludes the severe disability premium (of £40.20) even though they meet the disability and care criteria for it – reflecting a confusion over which of the roles listed above this premium was expected to fulfil.

While the SSI guidance states that charging against income support is acceptable, it says this with the warning that ‘representations from people receiving welfare benefits and those on very low incomes should be given sympathetic consideration’ (Ref. 13). As a result of growing concerns about the social exclusion of older people, changes have been made to the Government’s funding formula that have transferred resources to councils with high numbers of pensioners on income support (discussed further in Chapter 5). Councils may want to reconsider whether or not it is appropriate to charge users on income support alone, and in particular, users not receiving severe disability premium. This is particularly relevant given the role of income support in delivering the Government’s ‘minimum income guarantee’ to older people.

In the absence of national guidance over how means-tested and disability-related benefits should be treated, councils are evolving widely differing local practices. This has serious consequences, not just in terms of equity, but also from the point of view of national strategy. The role of benefits is central to the future funding of care. There are also concerns that service eligibility criteria should not be driven by charging...
considerations (such as the receipt of attendance allowance). The payment of benefits gives users choice and flexibility over how they address their care needs. However, some question the potential inefficiency of the ‘benefits merry-go-round’ – where charging policies, to some extent, simply transfer resources from central government to local councils through users and a complex administrative system.

**How do councils construct the means test?**

**Taking account of expenditure and the costs of disability**

As means testing has been extended, councils have spread their nets wider to take account of more sources of potential income (from savings, partners, etc). Many have also chosen to take some account of basic housing-related expenditure such as mortgages, rent and council tax. Approaches vary widely, however, and sometimes have little internal rationale (for example, is it consistent to take account of a tenant’s rent, but not of a home-owner’s repairs and maintenance bills?) [EXHIBIT 13].

**EXHIBIT 13**

**Factors included in means tests**

Councils take more account of income than expenditure, with less than 40 per cent looking at disability-related expenditure.

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**Note:** Figures shown are as a percentage of councils using some means testing.

*Source: Audit Commission survey*
Less than 40 per cent... make specific exemptions for expenditure incurred by users that specifically relate to their disability

76. Less than 40 per cent, however, make specific exemptions for expenditure incurred by users that specifically relate to their disability, such as special diets, laundry or domestic help – despite SSI guidance stating that ‘[councils] should take into account any extra expenditure that may be incurred because of the service user’s disability or frailty’ (Ref. 13). Many rely on their appeals systems to deal with users with high costs of disability, even though the evidence shows that many older people put up with hardship rather than complain (Ref. 12). Some state that there is ‘something in’ their policies’ basic allowances to cover low-level costs of disability, or that the proportion of disability benefits that a user is allowed to keep should cover these costs. However, policy documents and client literature examined during the study were unclear over this issue. This is a particular concern for users who use privately provided care. SSI guidance is clear that this should be taken into account when calculating charges. Only 32 per cent of councils who charge (38 per cent of councils who use means testing) routinely take account of such expenditure. If users are unaware of how the council has taken into account their costs of disability, then they are unlikely to know if they should appeal against their charge.

77. The same arguments also apply to other services provided by the council themselves. While some councils apply a single means test to all care services (with the possible exception of meals, as it can be argued that basic allowances include money for food), others ignore, for example, day-centre charges when calculating home care charges. This, combined with concerns over the way in which some councils charge against disability-related benefits, adds to the impression that the most disabled can be among those who are charged the highest proportion of their income.

Taking account of savings

78. One of the most controversial aspects of charging for care is the extent to which a user’s savings are taken into account. As a result of financial pressures, councils have been increasingly prompted to include an element relating to savings in their means tests. The current situation is, again, one of wide variation, with some councils disregarding all savings, while others disregard amounts from £1,000 to £16,000, often based on the rules for residential charging [EXHIBIT 14, overleaf]. Councils also vary in how savings are converted into measures of potential income: while some use actual interest received, others use ‘tariff income’ based on social security means-tested benefits (assuming an income of £1 per week from each £250 of savings’), which effectively drains a user’s capital.
Councils treat users’ savings in a range of ways. This has caused particular concerns to both users and their families, as they see savings built up over a lifetime going to pay for care costs. Users with sufficient capital are charged at or near the costs of service provision (potentially around £100 per week for 12 hours’ service) by 40 per cent of councils. This is one of the key concerns addressed by the Royal Commission, who stated that a key measure of a fair funding strategy would be that it ‘[should not] penalise those who made their own provision and reward those who did not’ (Ref. 3). It also raises issues around the interface between residential and home care, in particular the operation of ‘perverse incentives’ (See Box D, page 18). This has led many councils to base their system for taking account of savings on the national rules for residential care charging. Others have used these as a base, but adapted them in recognition that users who live at home have different requirements for savings than those in residential settings (such as to cover the costs of house repairs). Chapter 5 returns to this subject in the context of the Royal Commission’s recommendations.

**Treatment of partners**

80. While the majority (57 per cent) of councils do not take a partner’s circumstances into account (unless the partner is also considered to be in receipt of the service), a number do. The remainder look either at a partner’s savings, or at their income, or both. For example, 20 per cent make a joint assessment of both income and savings, all of which are considered to be available for charging. This partly reflects some confusion over the current framework. Councils’ legal powers to charge make it clear that the charge should only be levied on the service user. However, the SSI guidance notes that ‘[councils can] consider whether a client has sufficient reliable access to resources beyond those held in his/her name’, partly reflecting the difficulty of determining who controls...
which assets (Ref. 13). One of the issues related to the funding of long-term care is how responsibilities are split between partners and families. Chapter 5 returns to this issue.

### How service levels and service costs affect charges

81. Most councils’ charging policies take some account of the level of service provided, and hence increase charges to some extent as the cost of the service provided increases, most by using an hourly charge. Some councils use a ‘stepped approach’, broadly defining bands of care (such as ‘high’, ‘medium’ and ‘low’), making the same basic charge to users in each band. Such systems need to be managed carefully. One council visited had some evidence that its ‘banded’ approach encouraged users (particularly those who qualified for care at the lower end of each band) to cut their level of care in order to fall into the band below.

82. The survey also found other differences in the way in which charges are affected by a user’s level of service. For example, one council varied its charges based on the number of days on which services were received, while 12 per cent of councils charge more for services delivered out of office hours (increasing the incentive for users to use private provision during these periods).

83. Councils also vary in the way in which they vary charges to reflect actual service provided [EXHIBIT 15]. This partly reflects differing attitudes among users. In some areas, users were more inclined to accept small variations in service without protest, while in other areas they would be more likely to demand that their charge be adjusted.

### EXHIBIT 15

In what circumstances would you vary the charge?

Nearly all councils will vary charges when care is not delivered at all, but some are less willing to take account of smaller variations in services.

**Source:** Audit Commission survey
By examining how charges vary for those on high incomes, it is possible to calculate a council’s ‘underlying charge’ (ie, the charges they would levy if all of their users could afford the maximum). These were found to vary from around £2 per hour up to around £11 per hour. Or, looked at another way, councils had ‘underlying subsidies’ (ie, a subsidy that they would pay even if all of their users could afford the maximum) varying from nothing up to around 80 per cent.

Arriving at the final charge

For those councils who do not use any means testing (those who charge all users the same, or whose charges vary only with service level), the calculation of charges is straightforward. To look at how councils that include some element of means testing arrive at their charges, it is instructive to examine how the charges for a fixed level of service vary with a client’s disposable income [EXHIBIT 16 & BOX G]. Looking at this highlights:

- The additional income (‘buffer’) many councils allow all users on top of income support (excluding severe disability premium) levels before they start charging. While some councils charge those on income support, others allow ‘buffers’ of up to £50.
- How the charge varies with a user’s income, up to the maximum charge for this level of service. The slope of the line shows what proportion of a user’s disposable income above the buffer will be charged against. For different means-testing councils this ranges from 30 per cent to 100 per cent.
- The maximum charge level for this amount of service (and how this relates to the cost of the service).

EXHIBIT 16
Implementing a means test
To understand how a means test is implemented, it is useful to examine how charges vary with a client’s disposable income for a fixed level of services.

Source: Audit Commission
Examining the means tests of two councils A, B

1. Some charging policies can charge some users with higher disposable income less than some on a lower income. This usually results from the different account taken of different sorts of income and expenditure.

2. ‘Banded’ policies can result in a ‘stepped’ shape, rather than a smooth diagonal line in the central part of the charging graph. This potentially causes ‘poverty trap’ effects – where having £1 extra income can result in an increase of over £1 in charges.

3. Despite authority B’s policy of not charging users on income support alone, its policy can charge users with zero disposable income, relative to their income support applicable amount. This is because charges for those on income support plus attendance allowance do not take account of disability-related expenditure.

4. Some councils’ policies assume that a user’s ability to pay depends on their level of service. A user with disposable income of £75 is assumed to be able to pay £21 if they are getting 6 hours’ care and £30 if they are getting 12 hours’ care.

Source: Audit Commission survey
Exhibit 16 represents a ‘perfectly constructed’ means test. By collecting data on what different councils would charge a range of ‘standard clients’ in different circumstances, the study was able to plot the ‘shape’ of councils’ actual charging policies. This highlights a number of concerns over the ‘reasonableness’ with which some means tests are implemented.

These problems arise partly because charging reviews have to consider so many competing issues that the details of the way charges are designed receive little attention. Reviews do not, for example, look systematically at the trade-off between the level of the ‘buffer’, the ‘chargeable’ proportion of disposable income, and the maximum level of the charge (the three parts of the graph in Box G) or at the impact of the way council tax and housing benefits are calculated. Similarly, there is little clarity over the role of the ‘buffer’ – is it to take account of basic costs of disability or because of concerns over the levels of income support? While such issues are unresolved, users have little guidance to judge if they are being treated fairly.

This chapter has looked at the detailed construction of councils’ charges. It has shown wide variation in the factors different councils take into account. While an element of variation may be reasonable, there are concerns over how current arrangements treat the most vulnerable users of home care. The current framework gives councils little guidance on how to decide what is reasonable. Current charging arrangements can lead to situations that particularly disadvantage the most vulnerable users of home care. Some variations are unacceptable:

- Charges for care services can leave some users with less to live on than the income support applicable amount appropriate for people of their age. Users living on income support levels (and without the severe disability premium) can face charges of up to £10 per week for 3 hours of service.
- The most disabled users often face the highest charges, with some councils’ charging policies taking no account of other costs of disability or else taking a high proportion of users’ disability-related benefits. Official routes for users to challenge charges on the basis of their ability to pay can be difficult to negotiate.

National benefits such as attendance allowance and income support are paid based on national eligibility criteria. The fact that different councils treat them differently not only raises questions of ‘geographical equity’, but also of the rights of people with disabilities. Wide differences in the way councils treat savings and partners provide a poor foundation for the formulation of a national response to long-term care issues. A framework for resolving these problems is proposed in Chapter 5.
90. Councils are unclear about some of the key questions that should drive their approach to charging:

- Who should subsidy be targeted at? Why?
- How should charges vary with the level of service received? Why?
- Is it clear how charges should vary with users’ means and how national benefits should be treated?
- Is it clear how costs of disability are taken into account?

91. This lack of clarity has also led to confusion and concern from users, who are facing wide variations in how their charges are calculated, with little rationale as to why. While these issues remain unresolved, some vulnerable users will be considerably worse off than others in the same circumstances, simply because they live in a different part of the country.
The Management and Administration of Home Care Charges

While some councils perform well, poor management in others can mean that key parts of the charging system are not sensitive to service-users’ needs and cause unnecessary anxiety and confusion. Resources can be diverted away from service provision by inefficiencies in the management of charges. It is important that home care charges are managed in ways sensitive to the needs of users.
The users of home care services are some of the most vulnerable people councils deal with. They may have low incomes and find it difficult to explain their needs, or assert their rights. The effective management of charges can help improve access to home care services, and promote the independence and well-being of clients. Poor management of charges can, on the other hand, foster anxiety, or discourage vulnerable people from asking for services that would improve the quality of their lives. Home care charges need to be among the most sensitively administered charges in councils. Over 80 per cent of the members of the Government’s Peoples Panel aged over 50 rated ‘respect for their privacy and dignity, clear information about the services that they are entitled to and approachable and helpful staff’ as very important (Ref. 5).

A series of legal challenges over councils’ management of charges demonstrate how important it is that councils get their charging processes right. Many of the challenges have focused on whether users are being treated reasonably in terms of communication and consultation. At the heart of several challenges is the failure of councils’ charging processes to ensure that charges are ‘reasonably practicable to pay’.

This chapter looks in detail at how well councils manage home care charges. Each of the three main elements of charge management is reviewed [EXHIBIT 17]. Councils’ performance is analysed and best practice examples are highlighted.

EXHIBIT 17

The main elements of charge management

Three main elements of charge management play a major role in the provision of home care services.
Ensure users are able to pay

Financial assessment

95. Most councils give users some form of financial assessment, ranging from a simple check of the benefits they receive, to a full means test. The first stage in assessing the ability of the client to pay is a financial assessment, which will provide the information that councils need to apply their means test. How well do councils manage this stage? Do clients understand why the information is needed, and what will be done with it? Is the process managed sensitively and are the results of assessment given swiftly to users in a way that they find easy to understand?

96. The time councils take to complete the assessment and tell users the result is an important issue for users. Although 25 per cent of councils provided this information to users instantly, some took over ten weeks. For many users, this means that although they are receiving the service, they are worried that they are building up a debt that they may be unable to pay.

97. The skills and experience of staff who carried out the assessment varied substantially. One-half of the councils sampled used finance staff or specialist assessors, the remainder used care managers or social workers. These differences give cause for concern. Social workers, or even general finance staff, may be unfamiliar with the complexity of national benefits. When financial assessments are carried out by social workers, some users worry that the assessment of their needs will be influenced by the assessment of their ability to pay.

98. The study analysed the guidance and assessment forms from 72 councils. While many of these were clearly laid out and provided adequate explanations of each question, there were some significant problems encountered. The language on some forms was confusing or misleading. For example, one form was entitled ‘Application to have charge reduced’ – a title that is likely to discourage some clients from completing it (by implying that they have to ask to have their charge reduced, rather than having their circumstances taken into account by right, as part of the council’s policy). Many councils provided little explanation of why the information was being collected, or what would happen if the clients did not complete different sections. This lack of clarity may cause clients great concern – particularly in councils that combine the home care financial assessment form with the form used to administer residential care or to carry out benefits checks. Only 30 per cent of councils gave clients a clear statement that the information they provided would be kept confidential.

99. It is important for clients that they have a record of the information they provided in case their circumstances change or they wish to appeal the charge. Users also need to understand how their charges may vary should their circumstances change – in particular should their needs increase, as this can be a source of considerable anxiety (Ref. 12). However, many forms did not make it clear whether clients would receive a copy.
Only 20 per cent of the councils reviewed produced an automatic copy for the client, or gave an indication that a copy would be forwarded. Some simply notify the user of the charge, without giving them a record of the details they supplied.

The study identified a number of examples of good practice that show the positive impact that effective management at this stage can make. The best councils thought about the assessment process from the client’s point of view, and made sure that there were effective user-friendly processes and communication, supported by well-trained staff. One council visited during the study carried out a ‘unique assessment of income and expenditure’, the full rules of which were quite complex. However, using well-trained staff, they were able to ensure that each user understood how their own assessment was calculated and all users were sent a written record of their assessment.

Some councils have made sure that their communication with users is clear and easy for users to understand. The best assessment forms laid out the questions and explanations simply and clearly [CASE STUDY 2]. One element of particular help to users when their council’s charges take account of savings was a simple ‘ready reckoner’, which showed the clients how to identify when charges will reduce their savings below a point at which their finances should be reassessed.

**CASE STUDY 2**

**Effective communication with service users in Monmouthshire**

Monmouthshire County Council manage their charges in a way sensitive to the needs of their users. The forms and leaflets seen by users are clear, well laid out and easy to follow. They are produced in large print and are available in English and Welsh. Users are informed of changes to the charging policy via simple leaflets, which explain why, and how, their charges have changed. These leaflets have a reply-paid tear-off section for users to request more information, ask for further contact or explain any concerns.

The formal review system through which users can ask for their circumstances to be reassessed is divided into three stages. Users are informed of the target times for each of these stages. The form used to carry out reassessments uses simple open questions that encourage users to identify their disability-related expenditure. Staff talk to users and any informal carers to ensure they have a complete picture of users’ financial circumstances. They do not rely on forms, as some users lack the skills to complete them properly, or may fail to identify all relevant expenditure. As a result of well-designed systems, the level of applications for charges to be reassessed is low (7 since April 1997) and, to date, all such applications have been resolved within the first two stages.
Welfare rights

102. With so many charging policies targeting the income that clients get from benefits, it is vital that users are given access to advice to ensure that they maximise their income from benefits. This not only increases the net income of clients, but ensures that the council has maximised the resources available to fund the service. Such work also supports the Government’s agenda to support independence, protect vulnerable people and maximise uptake to the Minimum Income Guarantee (Ref. 23). Are councils providing this essential support to their clients?

103. Almost 85 per cent of councils now provide some such advice. They provide the advice in a number of ways. Some use existing client records to identify who may be missing out on benefits; others offer clients welfare checks at the same time as their financial assessments. Evidence cited by councils suggests that such approaches resulted in an increase in net income for between 50 and 90 per cent of users.

104. As is the case in the financial assessment itself, this advice is provided by a variety of staff from council to council, including: social workers, care managers, finance department staff and specialist welfare-rights officers. Some of these staff are less likely to be able to provide accurate and up-to-date benefits advice than others. This can mean that users fail to get the advantage of up-to-date knowledge of benefits, and miss out on benefits to which they are entitled. For users on low incomes, these errors can leave them facing financial difficulties. One council visited during the study introduced a specialist team responsible both for financial assessments and benefits advice, taking over from work that had previously been done by care staff. They found that, in the case of one care worker, 52 out of 59 users could be eligible for extra benefits. Extra benefits worth £120 per week were found for one user, even though the user’s circumstances had already been looked at by three different care workers.

Appeals and re-assessments

105. Whether they use means testing or not, all councils are required to provide clients with a means of requesting a review of whether their charge is appropriate to their ability to pay. Both the SSI guidance and an Ombudsman’s judgement specify that such systems should use clear, relevant criteria and sufficient accurate information to produce a decision. Councils have to make sure that clients understand their decision, otherwise the council may face a further challenge. However, best practice councils will aspire to do more than the bare minimum needed to avoid challenge, and focus instead on how to make sure that their users have easy access to appeals and re-assessments.

106. The study looked at how appeals and requests for re-assessment are managed at a number of councils. It found that many do not make it clear to users that the council has the discretion to vary the charge. Councils often include the statement of a client’s right to appeal only in ‘the small print’ on the forms or letters sent to clients. Some councils have introduced arbitrary constraints, for example, by imposing a time limit...
within which users must lodge any appeal against their charge, or telling clients who have savings of more than £3,000 that they are not allowed to make appeals. Less than one-quarter of councils set out clear target times for deciding an appeal.

107. As the existing systems rely on each client appealing to ensure that their charges are affordable, people who are vulnerable or less confident may be penalised because they are much less likely to complain. More worryingly, there are some indications that users stop using services as charges mount and their circumstances change, unaware of their rights to appeal, and the fact that the council cannot withdraw the service if they do not pay.

108. The best councils have taken steps to ensure that these systems are as open and easy to navigate as possible [CASE STUDY 3]. For example, some send a standard form or letter to every client explaining how to appeal, together with their notification of charge. One council includes a tear-off slip in its home care payment books for users to appeal. Others try to encourage access to their appeals system: ‘The service user has the right to make an appeal over the telephone, in person … or in their own home, using sign language or their native language’. One council provided a further level of re-assurance by telling clients that they have the right to attend (and to be accompanied) at the meeting to discuss their case, and that the council will ensure that the meetings are held at a convenient location, after which ‘[the council] will relay discussions by phone to service user’.

CASE STUDY 3

Improving its handling of appeals: the Metropolitan Borough of Wirral

The Metropolitan Borough of Wirral has sought to improve its management of reviews of charges by establishing a Conciliation Service, co-ordinated by a central Conciliation Officer. She considers users’ financial circumstances, helps users access advice on benefits take-up, and has delegated authority to vary or waive charges. The service is available to all users to help ensure that charges are reasonable and reasonably practicable to pay.

Mr B, an 80-year-old user of home care and meals on wheels, cut back on his services following notification of the charges. Concerns were raised over his vulnerability and ability to pay the charge. Help was given to him to claim extra benefits and feel confident to accept much needed support. Charges were reduced pending the result of the claim and the service was immediately reinstated.

Mr C’s situation was deteriorating as a result of Alzheimer’s disease, causing particular stress for his wife, his main carer, who also had health problems. There were worries that they might withdraw from services as a result of charges. Help was given with benefits and a level of charge was agreed that was affordable, enabling the user to continue with the services in the confidence that further use could be made of the Conciliation Service should their circumstances change.

The Conciliation Officer also monitors a number of aspects of charging: referrals for conciliation (broken down by income bracket and area office); outcomes of referrals; waiting times between referral and conciliation; cancellations of service due to charges; and, details of users given welfare rights advice (including the outcome of that advice). This information is used to ensure that charges are managed consistently and fairly for all users. It is also reported annually to councillors in order to inform decisions over charging.
Collecting the income

**Timeliness and accuracy**

109. The timeliness and accuracy of billing varied significantly. Particular problems followed the introduction of new charging policies, with delays of over three months resulting from one council overestimating the capacity of its computer system to cope. Late or inaccurate billing can result in considerable distress and anxiety for users, as they worry about debts building up, or how they are going to pay big bills when they arrive.

110. The reason for many of these problems lies in the billing systems used by councils, particularly the lack of communication between the system managing care and the system producing the bill. Many councils struggle to adjust bills to take account of variations in the level of service taken by the user. One council had such problems with this that, for a period, all bills were sent out with a stamped addressed envelope and pro-forma for users to notify the council of mistakes in the calculation of their charge. However, those councils who have taken a systematic approach to tackling these problems have been rewarded by significant improvements in service quality and net income.

**The costs and efficiency of collection**

111. The poor management of income collection can result in the costs of collection cancelling out the very resources charges are intended to raise, or councils missing out on income that could be collected. The fact that many councils’ decisions to charge are driven by financial considerations makes it important that they are aware of the cost of collection and the impact of changes to charges on net income. As the level and complexity of charges have increased, so too have concerns over the costs of administering charges. However, few councils have attempted to quantify these costs (only one in five reviews of charging made some attempt to estimate them). The study looked at costing exercises carried out by eight councils and found the costs of charging to be between 8 per cent and 40 per cent of the income they raised, with an average of 20 per cent. These variations imply that some councils could release substantial additional money to fund service delivery if they improved the efficiency of collection without increasing the charge itself.

112. The study looked in more detail at the running costs in two councils that used similar charging schemes – based on hourly charges and a reasonably comprehensive means test (the most common approach) – and had similar population profiles. The findings showed that the running costs at one site were about 10 per cent of total income; at the other they were 20 per cent. The reasons for the differences were to do with efficiency rather than charge design, and included the co-ordination of IT systems, the skills of staff and the effectiveness of links between social services and finance departments.
At both of these councils, one of the most expensive and troublesome elements of their charging processes was the way in which variations in charges were dealt with. Both councils adjusted users’ bills where there were small fluctuations in the service received by users. Dealing with such situations was administratively burdensome. Southampton City Council, by looking at the way information about such variations was communicated, was able to improve the accuracy and timeliness of its billing system [CASE STUDY 4].

CASE STUDY 4

Improving the efficiency of billing at Southampton

Southampton City Council had experienced problems with its billing system. The process by which bills were amended to take account of variations in service had proved administratively burdensome. Before bills could be finalised, care workers’ timesheets first had to be processed by the payroll system. This led to delays as timesheets were only processed in 4- or 5-week batches and the sheets themselves had to be chased up. As a result, some bills were being sent out late or were inaccurate.

Following a session ‘flowcharting’ key processes, which involved care managers and finance staff, it became apparent that a more efficient system would make use of the data already collected by home care clerks in the Directorate’s local offices. An improved system was introduced, in which the information was collected before the timesheets were sent off. This information was then sent electronically to the central billing system. As a result, bills were then sent out within the set timescales and with far greater accuracy.
The study also reviewed the approaches that different councils took to methods of payment. Most had some awareness of the preferences of users. While 15 per cent of councils offered only a single method, most were more flexible. For more simple charging systems, payment through stamps was a popular choice. A number of councils have found that swipe-card systems offer more flexibility (as stamps are only available in fixed denominations), much improved cash flow, and report good levels of acceptance from users. Some councils offer automated payment methods (direct debit and standing orders), which can offer savings in administrative costs, but which can cause problems when it comes to varying the charge. One manager was investigating the use of ‘variable direct debit’, which would allow them to make minor variations to the charge with prior agreement from the user.

The effective management of arrears is important to ensure income due is collected, but it can also play an important part in identifying and swiftly helping those users whose circumstances may have changed and who are struggling to pay charges [CASE STUDY 5]. A number of councils have found that some users refuse to pay their charges on principle, in the knowledge that the council cannot withdraw the service. In such situations considerable debts can mount up. However, the study did not find any councils that would risk adverse publicity by taking such clients to court. Instead, some councils simply write off the debt, others recover from the estate. This situation raises a challenging question for national policy makers: is it fair that some clients who know their rights pay nothing, while others struggle to pay their charges?

This chapter has shown that the poor management of charges can have a significant negative effect on users, as well as leaving councils short of resources. Effective day-to-day management of performance is essential if councils are to ensure that they are meeting their objectives and delivering a service that is ‘fit for purpose’. The study has identified five categories of performance information that would help councils to proactively manage the service and charges to ensure that they are responsive to users’ needs, avoiding some of the common problems already highlighted [TABLE 1, overleaf]. The evidence from this study shows that while some councils were able to provide such information (Case Study 3, page 51), the majority either could not provide it at all, or had to use often unreliable estimates.

If councils are not collecting and monitoring this information, they will not know the impact of their charges on users, and will be poorly placed to consider how charges should be adapted or revised in the future. For example, if clients are having difficulty paying, the first indication the council may see is the build-up of arrears. If the council is monitoring these issues, they will be better able to identify clients who may be having problems, and take action to identify the cause of any problems, and, if necessary, review the charge.
CASE STUDY 5

Bradford

In 1996 Bradford introduced an 'ability to pay' charging policy for domiciliary care. The system has been designed to be simple, understandable and to be sensitive to the needs of users, and incorporates an effective strategy for dealing with arrears.

The charging computer system alerts staff when users fall four weeks behind in payment. At this point a reminder letter is sent, followed, if there is no response, by a second letter. If the user does not make any payment, an Arrears Officer will contact the local area team, who organise the user’s services, to check if there are any known reasons for the non-payment and get advice over how best to approach the person concerned. Over 80 per cent of cases reaching the final stage of this planned action are resolved by this process. Only a minority of users remain for consideration of possible recovery action. This has enabled the council to maintain income collection rates at over 97 per cent since the policy was introduced.

A dedicated helpline has been in operation since September 1996. This has been very successful in helping users understand the complexities of the charging policy and plays a vital role in resolving problems before they become serious. This includes potential problems with arrears – for example, helping users who have become confused or overwhelmed by charging. User consultation following the introduction of the system strongly endorsed the principle of dealing with non-payment fairly but firmly.

The database also produces weekly reports, including a breakdown of information by area office and user group. This helps the council to identify and address problem areas – for example, identifying problems with high levels of arrears among clients with learning disabilities enabled the council to plan recovery action sensitively and appropriately. The council has also shown its willingness to be even-handed – as the same system is used to inform users who have overpaid.

Good practice in some councils shows how effective use of this information can improve the service to users. Several councils use the information on arrears to trigger their reassessment/appeals system automatically in order to check that the client is able to pay. Some authorities are developing corporate debtor systems, which co-ordinate action between a number of departments to ensure clients are given helpful advice on how to reduce their debts to the council, and to avoid debts to the council being simply shifted from one part of the council to another (for example, from council tax to rent or to care charges).

The importance of good performance information goes beyond its role in supporting effective day-to-day management of performance. Without this information, the council will be unable to shape and develop its service, or carry out a thorough best value review that will pass the scrutiny of best value inspectors.
This chapter has revealed that the variations in councils’ approaches to charging demonstrated in previous chapters are amplified by the different approaches councils take to managing and administering charges. Examples from the survey and fieldwork for the study show that there is much that councils can do locally to improve their management of charges. Users will swiftly see improvements in their services if their council is willing to learn from best practice, and councils might release additional resources to fund the service.

Chapter 6 will show how councils can systematically review their home care charges to tackle many of the problems and unacceptable variations, highlighted in Chapters 2, 3 and 4. Councils which are planning to undertake a best value review of these services would find their review an ideal opportunity to make local improvements. However, there is also a need for some change at the national level. The provision of guidance over some aspects of charging will help to deal with the unacceptable ‘post-code’ variations in charging identified in Chapter 3 and provide councils with a firm foundation on which to improve the design and management of their charges.

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**TABLE 1**

Collection of key performance information

<table>
<thead>
<tr>
<th>Performance information</th>
<th>Why it matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client numbers and service levels</td>
<td>This basic information is needed to monitor trends in take-up and service levels provided and see the impact of charge management. It allows councils to plan for future provision, re-think priorities for subsidised or free provision, and monitor the impact of charges on different groups of users.</td>
</tr>
<tr>
<td>Clients refusing/cutting down on services as a result of charging or asking for charges to be reviewed</td>
<td>This tells managers an important part of the story about the impact of charges, and changes to charges, on different groups of users. It allows councils to offer support to individual users, as well as to identify any underlying problems (such as charges to specific groups of users or problems of communication).</td>
</tr>
<tr>
<td>Levels and reasons for arrears</td>
<td>This provides an early warning for managers about users whose circumstances may have changed, or who are having problems meeting the charges – allowing them to take proactive action to review the charge, or ensure that unpaid charges are recovered.</td>
</tr>
<tr>
<td>Levels of client incomes (in particular the take-up of different benefits)</td>
<td>This is an important indicator of the effectiveness of the welfare rights advice within the financial assessment process, and the impact of charges on the net income of users. It can also be used to identify users who may be missing out on benefits and to estimate the impact of different charging arrangements.</td>
</tr>
<tr>
<td>Cost of collection as a percentage of income</td>
<td>This shows the efficiency of income collection and indicates whether changes to charges and collection systems are hampering or improving recovery rates. The costing exercise itself can help to pinpoint areas of inefficiency.</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
Changes to the National Framework

Action is required at the local and national levels to address the concerns raised in this report. Clear national guidance on charges will protect the most vulnerable users of home care and enable councils to use charges to develop services and improve access. The framework developed in the report will help the Government develop a consistent approach to the funding of long-term care.
122. Previous chapters have highlighted a range of problems and concerns. These problems can have serious consequences for users as well as councils. To address them will require action at local and national level [EXHIBIT 18]. This chapter reviews what action is needed at national level, while Chapter 6 looks more closely at what local action can be taken by councils to improve services and make better use of resources.

123. The Government’s White Paper Modernising Social Services (Ref. 2) requires social services to promote independence, meet people’s needs and provide services across the country in a consistent fashion. It contains a commitment to promote ‘action to establish greater consistency and fairness in charging’.

EXHIBIT 18

**The key concerns and their consequences**

Action is required at both local and national level to address current concerns over home care charging.

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>IMPACT</th>
<th>ACTION</th>
</tr>
</thead>
</table>
| There is not a consistent approach to the funding of long-term care | • Uncertainty for users and the public over how to provide for care needs  
 • ‘Perverse incentives’ for managers to admit users to residential care prematurely | National |
| Some unacceptable variations in charges | • The most vulnerable users (those on lowest incomes and with highest costs of disability) can be the most disadvantaged  
 • Concerns about ‘geographical inequity’, for example, users with the same needs and circumstances pay very different charges simply because of where they live | National and Local |
| Few councils are clear about why they charge what they do | • Because clear principles are not established, charging becomes driven by financial imperatives  
 • The opportunity to use the power of charges to deliver service and corporate priorities is lost | Local |
| Local management of charges needs improvement | • Key parts of the charging system are not sensitive to service users’ needs and cause unnecessary anxiety and confusion  
 • Resources are diverted away from service provision by inefficiencies in the management of charges | Local |

*Source: Audit Commission*
124. It is not for the Audit Commission to comment on how much should or should not be raised through charges; that is a matter for political judgement either by central or local government. The lack of consistency across the country is a matter of legitimate and significant concern for the Commission, however. Some variation is to be expected across local government as individual councils make decisions to suit their local circumstances. What is needed is a framework within which some of the more significant inconsistencies can be debated, discussed and hopefully reduced.

125. In its report *With Respect to Old Age* (Ref. 3), the Royal Commission proposed that: ‘the costs of long-term care should be split between living costs, housing costs and personal care’. By incorporating this split into a simple framework [EXHIBIT 19], it is possible to look at the way different elements of benefits and other user resources are used to fund the different types of need and reveal where there are inconsistencies and unacceptable variations.

126. Application of the framework reveals a range of inconsistencies in the way in which councils are assessing users’ income and expenditure, for example:
- how different benefits are treated;
- the extent to which councils do or do not take account of partners’ resources or the potential contribution of the users’ savings; and
- the way in which they take account of additional expenditure due to the costs of disability.

**A framework for addressing inconsistencies**

EXHIBIT 19

*A simple framework for looking at home care charging*

Looking at the different ways in which benefits and other user resources fund care highlights inconsistencies in the ways councils are charging for home care.

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Source: Audit Commission
In the absence of national guidance, councils have each taken their own approach. The impact of these variations has already been summarised (Exhibit 19, page 58). These problems could be addressed if national guidance were developed. To be effective, the guidance would need to cover main issues raised by each of these inconsistencies.

In terms of how different benefits are treated, particular concerns revolve around whether it is appropriate to charge users who are dependent on income support for non-residential services. Those councils visited during the study who charged against ‘basic’ Income Support (including the age-based premiums, but excluding severe disability premium) justified doing so on the grounds that Government funding assumptions (the standard spending assessment (SSA) formula) required them to raise a sizeable percentage of their costs through charges – even though many of their service users were on income support. However, recent changes to the SSA have undermined this argument [BOX H]. While there may be exceptions, such as for meals, greater consistency would be achieved if there were to be national consensus that councils should not charge against ‘basic’ Income Support for non-residential services.

**BOX H**

**Changes to the SSA**

One of the most controversial issues in home care charging is the assumption that the standard spending assessment (the ‘SSA’, the formula used to determine councils’ funding levels) makes about income from charges. Chapter 2 described how the ‘9 per cent assumption’ was used by councils to justify moves to introduce and extend charges, but caused particular difficulty to councils with a high number of lower-income users. In 1999/2000 the Government revised the SSA formula to address these concerns, adjusting it to take account of the proportion of pensioners in their area on income support, resulting in significant redistribution of funding between councils, with, for example, 12 gaining over £0.5 million and 16 losing over £0.5 million.

Most councils, however, have yet to reflect this change in their charging policies. Some have not been aware of it, some have waited for the Government’s response to the Royal Commission, and others have worried that the change may not be permanent.

*Source: Audit Commission*
129. Issues surrounding disability-related benefits (for older people, attendance allowance and the severe disability premium) are complex. Such benefits contribute towards the extra living costs of being disabled, which can include personal care. In the absence of guidance from Government, councils have evolved widely different practices, which can result in the most disabled being the most disadvantaged. Also, the treatment of these benefits is closely related to the mechanisms that councils use to take account of the costs of disability. Guidance is needed to establish best practice, and reduce unacceptable variations. Such guidance would also help carers and users (and user groups) understand how the costs of disability are taken into account. The guidance would need to address some of the key questions raised by the framework:

- What other costs do users meet from these benefits? What proportion of them is it appropriate to charge against?
- How should the type of service (domestic help, personal care, etc) affect the charge? Should different benefits be treated differently?

130. The issue of partners seems straightforward. The current legal framework makes it clear that the charge is to the service user. Where councils look at partners’ circumstances it usually reflects the difficulty of determining who controls which assets. What is needed is guidance over how to overcome this practical difficulty in a fair way.

131. Currently, the majority of councils take some account of savings, albeit in many different ways. Guidance on a specific savings threshold would help ensure ‘fit’ with the national response and provide equity for users. The current rules for dealing with the savings of people living in residential and nursing homes may provide a starting point. The level at which this limit will be set is a political decision, and will depend on the Government’s response to the findings of the Royal Commission (Ref. 3).

132. Guidance on how the additional costs of disability should be assessed and treated could build on existing good practice in this area and provide greater clarity, for example, on what sort of allowance should be made for different sorts of expenditure.
Local discretion or national prescription?

Strong arguments can be put both for and against local discretion over charging [EXHIBIT 20]. In the report The Price is Right? Charging for Council Services (Ref. 1), the Audit Commission argued that local discretion over charges, properly exercised, can have benefits for councils and for users. In the case of home care, charges can help councils to meet a range of local priorities. It can help them to respond more sensitively to the needs and views of their users or to reflect the characteristics of their local population.

A number of responses are possible [EXHIBIT 21]. However, with clearer guidance over what is ‘reasonable’ and best practice in charge management, many of the problems raised in this report can be resolved. The remaining argument then becomes a political one – is it fair for users living in different areas to pay different amounts? By implementing the guidance recommended in this report, the most ‘unacceptable’ aspects of variation should be dealt with. In the light of this, the above question can be rephrased: ‘is it acceptable to charge less than what the guidance says is reasonable?’ This is a political question, outside the scope of the Audit Commission.

Formal Government guidance is likely to be sufficient to achieve the improvements in practice and consistency required. Additional assurance would be provided through the cycle of best value inspections, comparing local practice with the guidance and recognised best practice in every council. This formal guidance may take some time to formulate, since it will depend on the Government response to the Royal Commission’s report (expected to be announced in the summer of 2000).

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EXHIBIT 20

The role of local discretion

There are strong arguments for both national control and local discretion.

<table>
<thead>
<tr>
<th>NATIONAL CONTROL</th>
<th>LOCAL DISCRETION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness/equity</td>
<td>Wealth of population affects efficiency</td>
</tr>
<tr>
<td>National benefits system</td>
<td>Fit with local priorities and service planning</td>
</tr>
<tr>
<td>Long-term care strategy</td>
<td>Variation in costs of provision and costs of living</td>
</tr>
<tr>
<td>Fit with residential system</td>
<td>Fit with discretion over service</td>
</tr>
<tr>
<td>Cut costs of reviews and administration</td>
<td>Improving services and access</td>
</tr>
<tr>
<td>Manage the ‘benefits merry-go-round’</td>
<td>Able to take account of views of users</td>
</tr>
</tbody>
</table>

Source: Audit Commission
However, it is important that preliminary guidance is developed quickly to encourage councils to improve how they approach charging straight away as they start carrying out best value reviews. This report contains a range of examples from best practice councils, as well as lessons from policies that are more questionable. This can form the foundation for preliminary guidance. The Audit Commission would look to the Association of Directors of Social Services and the Local Government Association, with advice from the Department of Health, Department of Social Security, user groups and the Audit Commission, to develop and extend this into guidance. By necessity, this guidance will be based around common and best practice, and will not have legal standing.

Once the Government’s response to the Royal Commission is made, the Audit Commission recommends that the Department of Health should build on the preliminary work and develop guidance addressing the key issues, including:

- guidance on how councils should assess users’ incomes, including how to take account of benefits, savings and partners’ resources; and
- guidance on how councils should assess users’ expenditure, including their basic living costs and the costs related to disability.

**EXHIBIT 21**

**Options for Government**

There is a range of options between complete discretion and a national charging system.

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Note: ‘tariff’ refers to aspects of the charge other than means testing – ie. how the ‘underlying’ charge varies with the level of service.

*Source: Audit Commission*
138. The framework introduced above can be extended and used to look at long-term care in other settings including residential homes, nursing homes and sheltered accommodation. If the Government response to the Royal Commission includes a decision to retain charges for personal care, as recommended in the Note of Dissent in *With Respect to Old Age* (Ref. 3), a further distinction in the costs of care, between personal care and nursing care, would be necessary. Similarly, the ‘supporting people’ debate introduces the need to consider separately both the costs related to support services for those in sheltered housing and similar settings and the costs and benefits related to housing [EXHIBIT 22].
At first sight, further separation of costs in this way may appear to make life more complicated; but in practice it provides a powerful framework for mapping further inconsistencies. It allows a more systematic consideration of how to deal with benefits, and how to take service users’ resources into account in a consistent and fair way. Part of the power of this revised framework is that it can be applied to any setting in which a user is receiving care – whether a residential home or the user’s own home. It reveals the perverse incentives that result from the way that different elements of cost can be funded differently depending on the setting of care; for example, when a user is living at home their housing wealth is not used to pay for personal care, but if they are in a residential home housing wealth is used to pay for personal care. The impact of these perverse incentives goes beyond how fairly they are viewed by users. The differences can provide a powerful incentive for local authorities to place users in residential homes, rather than continue to provide them with their care in their own home, because the change in setting will reduce the costs to the council [BOX D, PAGE 18].

These perverse incentives and other inconsistencies could be reduced if the Government chose to move to a system of funding for long-term care that better aligned the sources of funding to the different elements of need, independent of the setting within which care takes place. The extent to which inconsistencies would be removed would depend, in part, on how savings and capital were to be taken into account when councils work out the charge for personal care. This approach would also provide clarity for other issues that can cause concern; for example, what role benefits might play in funding long term care, and what people should expect to plan to provide for through their income, savings and housing capital.

There would be some new challenges thrown up by this approach. It would be important to establish clear definitions of the different elements of care and costs. The boundary between personal and nursing care is particularly difficult to define and has been the subject of recent legal judgements. The boundary between housing and care is also difficult to define, as discussed in the Consultation Paper, Supporting People (Ref. 19).

It is important to note that the framework is not ‘a single solution’ – rather it helps Government in the search for solutions by breaking the problems down into relatively manageable bite-sized chunks about each aspect of care and costs. The framework provides Government with flexibility to decide exactly how each element of users’ resources and benefits should relate to each element of care needs and costs (for example, should savings above a set level be available to be charged against?). The framework can accommodate both the solution proposed by the Royal Commission and that proposed by the Note of Dissent (Ref. 3). The costs implications of using the framework to bring consistency to the funding of long-term care would depend on which choices are made by Government. One option is to use the framework as the basis for all funding [BOX I, overleaf].
One aspect of non-residential charging that the study was not able to properly address was the issue of care services provided to client groups other than older people. Looking at the impact of charging on these client groups raises additional issues: there are different benefits to consider (such as the Independent Living Fund), different family and carer issues and an important interface between charges and the existence of incentives to work.

The Government has recently extended the ‘direct payments’ scheme to older people. This involves making payments to users so that they can manage their own care directly, in order to: ‘put the user at centre stage ... [and] give choice, control and flexibility’. At the time of this study it was not possible to evaluate how such schemes should interface with charges.

BOX I

A consistent approach to funding long-term care?

Better aligning charging (against benefits and other users' resources) to the extended framework (Exhibit 22, page 64) would allow people in residential and nursing homes to pay for their housing and living costs in much the same way as they had previously in their own homes. The framework would remove the separate way of financing care in residential and nursing homes. Personal care in residential and nursing homes would be charged separately on the same basis as care in people's own homes. Nursing care would be provided or funded by the NHS. The aim would be to make the cost of care independent of the location where the care is provided, and more dependent on the amount of care needed.

A significant barrier to joint working between health and social services is created by current incentives to ‘shunt costs’ between Social Services and the NHS (Ref. 24). The development of a consistent approach to the funding of long-term care would remove this barrier and encourage the provision of ‘seamless services’ to users.

The framework would also allow a more systematic debate about the role of social security benefits. The same guidance developed for charging against means-tested and other benefits for home care (described above) would be used to design charges independent of where care took place. Separating out elements of housing provision from the other costs of residential care could also allow organisations who provide residential homes greater scope to adjust charges to suit individuals' choices and needs.

Source Audit Commission

Issues for further investigation

One aspect of non-residential charging that the study was not able to properly address was the issue of care services provided to client groups other than older people. Looking at the impact of charging on these client groups raises additional issues: there are different benefits to consider (such as the Independent Living Fund), different family and carer issues and an important interface between charges and the existence of incentives to work.

The Government has recently extended the ‘direct payments’ scheme to older people. This involves making payments to users so that they can manage their own care directly, in order to: ‘put the user at centre stage ... [and] give choice, control and flexibility’. At the time of this study it was not possible to evaluate how such schemes should interface with charges.
Conclusion

145. Home care charging is a complex subject. Any solution will have to address this complexity. Some of the problems with home care charging echo wider problems identified by the Royal Commission. Hence any solutions adopted for home care need to fit within the wider context of the Government’s strategic response to the recommendations of the Royal Commission. This chapter has outlined a range of recommendations for moving the current situation forward in the short term. The longer-term recommendations that are intended to encourage greater consistency in the funding of all long-term care will take time to develop and implement – they will need clear leadership from Government.
Action for Councils

There is much councils can do to improve the way they manage their charges. A greater focus on the needs of users and improvements in the way charges are managed will lead to benefits for users and councils. A best value review of the service will provide an opportunity for councils to review and improve charges as an integral part of the service.
Government action to help clarify the national framework for charging is necessary to remove some unacceptable variations in practice. In the meantime, all councils can take steps that would tackle the problems and challenges revealed in Chapters 2, 3 and 4. By learning from the best performing councils, others can improve services for local people and increase the resources available for service delivery. The best practice identified through this report can be gathered under four principles that provide a practical framework for councils to get the best from charging:

1. Establish clear principles to guide charging.
2. Consider charging as an integral part of service review.
3. Meet the needs of users.
4. Manage performance efficiently and effectively.

Each of these principles is discussed in turn below, followed by a best practice checklist [TABLE 2, overleaf] which summarises the key questions that councils need to answer. By working within this framework, councils will be able to make improvements that best fit local priorities and needs. The chapter closes by looking at how best value reviews provide an ideal opportunity to turn the principles into practice.

**Establish clear principles to guide charging**

The sometimes heated charging debate can close the minds of decision makers to the wider potential of charges. Councils need to establish clear principles for home care charging if they are to overcome this obstacle. To establish these principles, councils will need to answer a number of challenging questions requiring sensitive judgements on how best to reconcile different priorities. Therefore, the active engagement, involvement and commitment of councillors is essential. Otherwise, when more specific proposals come to committees for decision, councillors are likely to return to the debate about the underlying principles.

**Consider charging as an integral part of service review**

While it is often the case that budget pressures drive charging decisions, some more perceptive councils are already using charges positively to develop services, and have realised the potential of charges to target subsidy at priority users or services. Choices made about how to manage charging can have a significant impact, both positive and negative, on the quality of life for vulnerable users. So, decisions about charging cannot be divorced from service issues such as the targeting of services, users’ choice and charges for other social services. There are also broader corporate issues to consider, including social inclusion, concession strategies, other charges and corporate debtor systems. By thinking about charging as part of service planning, and relating it to...
corporate strategies, managers will be able to move away from a budget-dominated approach towards one that maximises the welfare of users and meets corporate and service priorities.

Meet the needs of users

**150.** Councils can help to meet the needs of their users by improving their communication with, and understanding of, users. Talking to users and their advocates is a direct and positive way to find out about the effectiveness of charge management, and to identify where there is greatest need for improvement. Many councils need to re-think how they communicate with users. The systems through which charges are administered also need to be thought through from the users’ perspective. Are they open and accessible? Managers should strive to meet legitimate expectations of users about the way they would like to be treated.

**151.** Councils also have the power to help users to ensure that they are able to pay their charges. This partly comes down to the way in which charges are designed – how well, for example, they take account of expenditure. But the way charges are managed also has an important impact on users’ capacity to deal with charges. Linking active promotion of welfare rights to charging has been found to be a critical success factor at a number of councils. Dealing quickly with problems of payment can help users to cope with arrears before they become a serious problem.

Manage performance efficiently and effectively

**152.** Focused monitoring and good performance management can improve the service to users as well as help minimise the costs of collection. Without it, councils cannot monitor and manage the impact of their charges on users, the service and their resources. Good performance information is also an essential foundation for best value review and service planning. Managers need to build up an understanding of costs of charging, and review their processes to see where there is scope for improvement.
## ‘A best value charge?’: a checklist for councillors and managers

A number of questions will help councils to review how their approach to charging for home care compares with best practice.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Key Questions</th>
</tr>
</thead>
</table>
| Establish clear principles to guide charging | Are there principles to guide charging for home care? Do they answer the key questions:  
- Who should subsidy be targeted at? Why?  
- How should charges vary with the level of service received? Why?  
- How should charges vary with users’ means and how should national benefits be treated?  
- Is it clear how costs of disability are taken into account?  
- Are members committed to the principles and their implications for charges and services? |
| Consider charging as an integral part of service review |  
- Are charges reviewed as part of best value review and service planning?  
- Does the approach to charging fit with corporate priorities such as anti-poverty?  
- Are charges designed to deliver service objectives? Is the potential of charges to improve services or extend access considered?  
- Is there an effective process to review charges? (Are options evaluated? Is adequate information available?) |
| Meet the needs of users | Open communication and consultation:  
- Does meaningful consultation take place over the design and management of charges? Do managers know users’ key concerns?  
- Do users know that they can ask for charges to be reviewed or waived? Are such systems accessible to all? Is it clear how to find out more or seek advice?  
- Are forms, letters and leaflets well designed (easy to follow, adequate print size, community languages)?  
- Are users told why information is required and given assurances over confidentiality?  

Ensuring users are able to pay:  
- Is the council effectively promoting benefits take-up by new and existing users? Is expert advice available to help users maximise their income?  
- Are users given a record of the assessment that explains how their charge has been calculated? Do users understand how/if their charge would change if their needs or means changed?  
- Is it clear how costs of disability have been taken into account? Will users know when they should ask for a review of their charges?  
- What happens when users cut down or withdraw from services? Are the reasons identified? What help is offered?  
- Does the council pro-actively monitor arrears to identify if users may be having difficulties paying, and initiate action to help tackle problems? |

Continued overleaf
To turn these principles into practice is a considerable challenge for some councils. While some elements are reasonably straightforward, others will require a shift in corporate culture that is likely to take some time to achieve. A searching service review would provide councils with an opportunity to ensure charges are built on sound principles, linked to a range of council priorities (service, corporate and financial) and are well informed by monitoring and evaluation of past performance. But do councils have the time and resources to carry out a review?

154. All councils are required to carry out a programme of searching best value reviews of all of their services over a five-year period. These reviews have to encompass the ‘4Cs’ of best value:

- **Challenge**: challenge why and how each service is being provided or if it should be provided at all.
- **Compare**: compare their performance with other authorities and relevant outside organisations across a variety of indicators.
- **Consult**: consult with local taxpayers, service users and the business community, in particular, as regards performance targets.
- **Competition**: embrace fair competition as a means of securing efficient and effective services.

### Improving services through best value reviews

**TABLE 2 (continued)**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage performance effectively</td>
<td>Is key performance information gathered and acted upon?</td>
</tr>
<tr>
<td></td>
<td>Are targets set and published?</td>
</tr>
<tr>
<td></td>
<td>• Are financial assessments carried out efficiently? Are they accurate and are</td>
</tr>
<tr>
<td></td>
<td>users made aware of the results as soon as possible?</td>
</tr>
<tr>
<td></td>
<td>• Are users billed promptly and accurately?</td>
</tr>
<tr>
<td></td>
<td>• Do managers monitor the impact of charges on users (users cutting down on</td>
</tr>
<tr>
<td></td>
<td>services or building up arrears)?</td>
</tr>
<tr>
<td></td>
<td>Are charges managed efficiently and effectively?</td>
</tr>
<tr>
<td></td>
<td>• Are managers aware of the costs of charging?</td>
</tr>
<tr>
<td></td>
<td>• Have the costs of charging been minimised by careful review of assessment</td>
</tr>
<tr>
<td></td>
<td>processes, and methods of billing and payment?</td>
</tr>
<tr>
<td></td>
<td>• Could links be improved between finance and care management systems?</td>
</tr>
<tr>
<td></td>
<td>Do different staff (social services, finance, welfare rights, care providers)</td>
</tr>
<tr>
<td></td>
<td>work together effectively?</td>
</tr>
<tr>
<td></td>
<td>• Are variations in services processed promptly and accurately?</td>
</tr>
<tr>
<td></td>
<td>• Are staff adequately trained, so that users are treated consistently and</td>
</tr>
<tr>
<td></td>
<td>sensitively?</td>
</tr>
</tbody>
</table>
Best value reviews provide an opportunity for councils to get to grips with home care charging.

So, best value reviews provide an opportunity for councils to get to grips with home care charging. The questions posed by best value fit snugly with the questions posed by the best practice checklist for home care charging. Managers do not need to wait for the best value review, however, to start realising the full potential of charging. The sooner they review their existing practice against the best practice identified in this report, the more able they will be to demonstrate that they are providing best value. Councils contemplating best value reviews of related services (for example, services for older people, reviews of council concessions or social services) should take steps to make sure that home care charging issues are properly addressed.

If the review is going to be effective, it needs to focus on users. The Audit Commission Management Paper Listen Up!: Effective Community Consultation (Ref. 25) presented the characteristics of effective consultation: how it should relate to decision making; how to carry it out competently; how to ensure it is inclusive; and the importance of demonstrating that the results are used. These characteristics provide a sound guide for councils planning consultation with local people on charges. Successful reviews also need to involve and inform councillors, in order that the difficult questions of principle that surround charging can be properly debated. Well-designed reviews address both these issues [CASE STUDY 6, overleaf].

Another essential part of any review is a searching evaluation of current performance. Councils will only be able to do this if they have some basic performance information (outlined in Chapter 4). If this is not already available, then councils need to take urgent steps to start gathering it, otherwise they will be unable to assess current performance, or the likely impact of changes to the service and its charges – and the review will be stopped in its tracks.

By addressing the principles for effective and efficient home care charging, councils can unleash benefits both for themselves and for users [CASE STUDY 7, overleaf].
Using consultation to test proposals for charging: Northamptonshire

During 1998/99, Northamptonshire County Council carried out an in-depth review of their non-residential charging arrangements. Their first step involved discussions with councillors on the financial and service context within which the council was operating. This resulted in the formulation of a set of broad principles that would provide the foundation for the review: that charges should be based on ability to pay; the circumstances when charges should be varied; who should be exempt from charges; and how property should be treated.

A report was then produced outlining options against eight key charging issues (including charging for meals and transport, minimum charges and taking account of benefits and capital). For each issue, up to five options were discussed, looking at practical consequences, such as implementation and collection, and arguments around, for example, charging against different benefits. A range of data were also considered, including charges in other councils, subsidy levels and service take-up. Data for a sample of users were used to model the effects of certain changes. A preferred option was chosen for each issue.

Twenty-three meetings were held with user groups and community forums. Written consultation took place with over 150 other groups, including voluntary groups, politicians and health providers. Northamptonshire's consultation scored well against the four factors identified by the Commission as being critical to effective consultation:

1. The consultation related to the decision: because it was designed around the options proposed by the council for each of their eight charging issues.

2. The consultation was competently carried out: detailed briefing materials and presentations were prepared for the officers running the meetings, advice was sought from specialists in consulting disabled users, notes of meetings were circulated to attendees to ensure that all views had been properly recorded.

3. The process was inclusive: all user groups were consulted, materials were produced in Braille, on tape, on disk, in large type and in seven community languages. Signing was available for meetings.

4. The council demonstrated that the results were used: producing a leaflet explaining how decisions had been affected (and why, in some cases, they had not).

Concerns were expressed over a number of issues (including the cumulative effect of charges, impact on take-up and effect on voluntary groups). The final review, published in February 1999, used this consultation as the basis of a number of the choices made. It also looked at the role of charging in relation to the council’s anti-poverty and community care strategies (including objectives to improve partnership working with voluntary groups). It also referenced the changes to the Standard Spending Assessment (see Box H, page 60). The council was able to respond directly to many of the concerns, by changing the design of the charges (having no minimum charges, changing capital limits), by adapting the charging process (promoting their appeals system, improving monitoring arrangements), or by providing reassurance, for example, that the extra income generated would be spent on care services.
Torbay: A better service for users

Torbay Council has built its approach to home care charging around detailed financial assessments of users’ unique circumstances, linked to active and expert promotion of welfare rights. As part of their ‘financial assessment and benefits advice’ (FAB) project, the Council has developed an agreement with the Benefits Agency that involves council staff being trained and accredited to facilitate national benefits. These staff help to ensure that users’ costs of disability are fully recognised and that entitlements to benefits are identified.

Users are offered comprehensive advice and support to enable them to claim all the benefits to which they are entitled. In the first 12 months of the system’s operation, over 1,150 new benefits claims were made, the vast majority of which were successful. Increases to existing benefits were obtained for over 750 users. The expertise of the staff has meant that users and their carers were able to claim for a range of benefits that had previously been missed, including income support, attendance allowance, severe disability premium, invalid care allowance, war widow’s pension, disability living allowance, council tax benefit and housing benefit.

The council has sought feedback from clients, which, to date, has been almost entirely positive, with users rating the service ‘first class’, ‘excellent’, ‘helpful’, ‘comprehensive’, and commenting that it ‘put [them] at ease’ and that it was ‘more comprehensive than [previous assessments by] care workers’. By providing this advice in users’ homes, the stigma attached to benefits claims is reduced, enabling the council to help users who had previously refused advice (from the council, the Benefits Agency or the voluntary sector). Both the council and the Benefits Agency have judged the partnership a great success. A local care management team manager said, ‘Care managers can now have confidence that clients who receive services and their carers are now receiving their full benefit entitlement (or, at the very least, are fully aware of their entitlements) and this is a vital factor if we are to successfully maintain individuals within a community settings’.

The system has also illustrated best value in its use of resources and time. It has meant that care managers and social workers are not required to undertake the financial assessment process or its associated paperwork and benefits advice. This is estimated to have resulted in savings considerably exceeding the cost of running the FAB team (approximately £72,000 per year), enabling substantial resources and time to be redirected into care work. By ensuring that users understand their financial assessments, and that the assessments are ‘right first time’, the level of appeals has been cut – in the first 12 months of the system’s full operation only 26 users have asked for their financial assessment to be reviewed. This ensures that user information is collected only once and prevents duplication and distress to clients.

Continued overleaf
Clear national guidance on charges will protect the most vulnerable users of home care and enable councils to use charges to safeguard services and improve access. In the absence of national guidance or consensus on how to proceed, local councils have had to struggle with many of the fundamental questions addressed by the Royal Commission, against a backdrop of considerable financial pressures. While national action is needed, there is much that can be done locally immediately to improve the management of charges for care services.

159. By getting agreement from councillors on the principles on which the policy is based, and by ensuring charging reviews take place outside the annual budget round, the council is able to ensure charges do not become dominated by the budget. By managing charges as part of a wider service strategy, which includes objectives to support independence, promote well-being and prevent risks, access to services has been increased while maintaining the authority’s commitment to its anti-poverty strategy. Based on current data, resources generated by charging have increased by £376,000 per year contrasted with expectations from the authority’s previous policies and working procedures. Income recovery within residential and nursing care has also increased and bad debt has decreased. This has enabled the council to improve services and extend access despite national trends. In respect of domiciliary care, client numbers are up year-on-year by a net figure of 190 and contact hours are up by 26 per cent. The benefits advice has proved so popular that it has been extended to non-users, such as all carers within the locality, promoted by some doctors’ surgeries.

**Conclusion**

By getting agreement from councillors on the principles on which the policy is based, and by ensuring charging reviews take place outside the annual budget round, the council is able to ensure charges do not become dominated by the budget. By managing charges as part of a wider service strategy, which includes objectives to support independence, promote well-being and prevent risks, access to services has been increased while maintaining the authority’s commitment to its anti-poverty strategy. Based on current data, resources generated by charging have increased by £376,000 per year contrasted with expectations from the authority’s previous policies and working procedures. Income recovery within residential and nursing care has also increased and bad debt has decreased. This has enabled the council to improve services and extend access despite national trends. In respect of domiciliary care, client numbers are up year-on-year by a net figure of 190 and contact hours are up by 26 per cent. The benefits advice has proved so popular that it has been extended to non-users, such as all carers within the locality, promoted by some doctors’ surgeries.
National

1. The Association of Directors of Social Services and the Local Government Association should develop preliminary guidance, including examples of best practice – with advice from the Department of Health, Department of Social Security, user groups and the Audit Commission. The guidance should cover:
   - how different benefits could be treated;
   - the treatment of partners’ resources and the potential contribution of the users’ savings; and
   - ways to take account of additional expenditure due to the costs of disability.

2. The Department of Health should produce more formal guidance following the Government’s response to the Royal Commission (Ref. 3), covering:
   - how councils should assess users’ incomes, including how to take account of benefits, savings and partners’ resources; and
   - how councils should assess users’ expenditure, including their basic living costs and the costs related to disability.

3. The Government should consider using the framework proposed in Chapter 5 to guide the development of a consistent approach to the funding of long-term care.

Local

4. Councils should use the opportunity of best value reviews to improve their management of charges by applying the following principles to their management of charges:
   - establish clear principles to guide charging;
   - consider charging as an integral part of service review;
   - meet the needs of users; and
   - manage performance efficiently and effectively.
Appendix 1

Acknowledgements

Sites

Many authorities assisted with this study and provided assistance with case studies. 140 councils either completed the survey or provided documentation (or both). Those to whom site visits were paid are listed below:

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Coventry City Council
Oldham Metropolitan Borough Council
Rotherham Metropolitan Borough Council
Southampton City Council
The City and County of Swansea
Torbay Council
Kent County Council
Warwickshire County Council

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Age Concern England
National Association of Financial Assessment Officers
Torbay Council
Coventry City Council
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Department of Social Services
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Councils have provided vulnerable people with care in their own homes for over fifty years. Such care protects users from risks, improves their quality of life and enables them to stay in their own homes.

*Charging with Care* presents the findings of a survey of home care charges. It demonstrates wide variations in the levels of charges, in the factors different councils take into account (such as how national benefits are treated), and in the quality of charge management. It shows how the most vulnerable users of home care – those on the lowest incomes and those with the highest costs of disability – can be the most disadvantaged by current arrangements.

The report introduces a framework which is used to diagnose inconsistencies and which highlights the need for greater national guidance – to help councils construct charges and to protect the most vulnerable users. It shows how this framework can be applied to the wider issues addressed by the Royal Commission on Long Term Care.

*Charging with Care* also looks at what councils can do to improve the way they manage their charges. It demonstrates the importance of focusing on the needs of users and managing charges as part of service delivery. It shows how best value reviews provide an opportunity for all councils to improve the way they design and manage their charges.

Clear national guidance on charges will protect the most vulnerable users of home care and enable councils to use charges to protect services and improve access. *Charging with Care* will be of interest to all those involved in the delivery of social services, including managers, councillors and user groups, and all those interested in the wider debate surrounding the funding of long-term care.